

Hong Kong Big risks for China too



Machine vision Wider role in

quality control

THURSDAY AUGUST 8 1996



Argentina The economy

after Cavallo than Gatt

Trade disputes WTO more popular

World Business Newspaper http://www.FT.com

IBM, Mercedes plan advanced car computer

IBM, the world's largest computer group, and Mercedes-Benz of Germany are working together to develop vehicle electronics networks to control engine functions, transmission and other mechanical operations and provide access to the Internet, satellite navigation systems, traffic and other data. Page 12

China agrees to join nuclear test ban: The US has reached a deal with Beijing to add China's signature to a treaty outlawing all future nuclear test explosions. Only objections from India are holding up an agreement.

Scientist doubts proof of Martian life: The European Space Agency's top Mars scientist warned evidence of life on the planet, uncovered by Nasa scientists, should not be taken too seriously. Page 4; Editorial Comment, Page 11

N ireland march banned: The British government moved to head off violence in Northern Ireland after the banning of a planned Londonderry march on Saturday by the protestant Apprentice Boys. Page 8

Adidas announced a 56.3 per cent rise in pre-tax profits to DM249m (\$167m) for the first half of the year, highlighting the German sports goods maker's recovery from financial difficul-ties in the early 1990s. Page 13

Valudet reported a second-quarter loss of \$9.6m after the discount US carrier was grounded in June following a crash in the Florida Everglades in May. Page 15

British new car sales up 17%: Registrations of new cars in Britain jumped by 17 per cent year-on-year in July, boosting hopes of sales over 2m this year for the first time since 1990. Page 8

Dresdner Bank of Germany announced operating profits of DM1.42bn (\$956m) in the first half of 1996, a rise of 44 per cent, helped by a strong securities business and a first-time contribution from Kleinwort Benson, the UK invest ment bank acquired last year. Page 13

Toyota, Japan's largest carmaker, will invest \$150m in a new production factory in Brazil, despite a continuing row between the two countries over Brazil's car policy. Page 6

Cathay Pacific Airways, the Hong Kong-based airline, announced net profits of HK\$1.65bn (US\$214m) for the first six months of the year - a 67 per cent rise over 1995. Page 13

Brazil plans banks bail-out: Brazil unveiled a plan to restructure the country's. debt-burdened state banks in a move seen as part of an assault on mounting public sector debt. Page 12

Fed sees US growth easing: The US Federal Reserve said the economy kept growing In June and July but there were signs the pace was easing from its hectic second-quarter rate.

\$4m ball for ex-Bremer Vulcan chief: A rich Hennemann, the former chairman of bankrupt shipping group Bremer Vulkan AG, who was arrested on June 20 for suspected misuse of

india announces Kashmir elections: India said it will hold elections in the troubled Jammu and Kashmir state in September, the

first in the Himalayan province for nine years.



A Tokyo shopkeeper displays radish sprouts (above) for sale at a local supermarket. Japan's health ministry said radish spouts might be the source of a food poisoning outbreak that has killed seven people and affected more than 9,000 others. Page 4

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LONDON -LEEDS -PARKS -PARKETURT -STOCKHOLM -MAPRID -NEW YORK -LOS ANGELES -TOKYO -BONG KONG

Washington move will allow Baghdad to speril \$1.1bn on medicine and food

US clears way for Iraq oil sales

By Michael Littlejohns in New York and Robert Corzine in London

The US yesterday withdrew its opposition to a plan that will permit Iraq to sell up to \$2bn-worth of oil and use the proceeds for humanitarian

The move clears the way for the first approved international sales of fraqi oil since the Gulf war began in 1990. Ms Madeleine Albright, the US delegate to the United Washington had dropped objections that had delayed the UN Security Council sanc-

a scheme to distribute food Rards in the north.

All 15 Security Council members sit on the sanctions committee and the US was the only member to object when the panel met last week. Oil prices yesterday dipped

20 cents for the benchmark Brent Blend for September delivery but recovered in late trading to end at \$19.475 a barrel, a fall of 2 cents on the day. Some traders fear the return Nations, announced that of an estimated 700,000 barrels a day of Iraqi crude oil to world markets after a six-year absence could trigger further

to recover customers lost to proposal was accepted last put them "in the right places". and medicine to Iraq's civilian rival Middle Eastern producers population, including rebel such as Iran, Kuwait and Saudi Arabia.

It was unclear last night when the first oil would be shipped. Oil traders said 12m barrels of Iraqi crude were stored at the Turkish port of Ceyhan ready for loading on to tankers. Iraqi officials said it could take only two weeks to

conclude the first sale. But western diplomats said a month might be needed to ensure enough aid and oil sales monitors were in place in Iraq to make certain the regime's compliance with the UN guidelines.

The Iraqi aid distribution

month by Mr Boutros Boutros Ghali, the UN Secretary General, but the US insisted on

stricter monitoring.
Ms Albright said the US would make sure that the necsary procedures for oil sales and the distribution of civilian supplies were carried out "very rigorously". It was imperative to ensure that the "right people" benefited. She added that US approval did not in any way abrogate the exist-

ing sanctions regime.

Ms Albright said a few technical questions still had to be resolved. The US was insisting that the UN engage a suffi-

Oil sales will be permitted over a six-month period, but delegates say the programme is likely to be extended if pro-cedures are satisfactory.

Under the Security Council resolution adopted last year, Iraq would have to spend \$1.1bn on food and medicine, \$600m on Gulf war reparations. \$260m-\$300m on relief for the Kurdish minority and \$40m-\$100m on supporting UN operations in Iraq. UN inspec-tors will monitor how the

money is spent. The Organisation of Petroleum Exporting Countries, whose member countries control more than a third of world

supply, has said it would call an emergency meeting if Iraqi oil sent world prices tumbling.

Brent blend crude, 2-month lockers \$ per berne

Commodities, Page 20

Chechen rebels step up assault on Grozny

By John Thombill in Moscow

Chechen separatists yesterday intensified their assault on Grozny, the capital of the southern Russian region, killing more than 50 federal troops and casting a shadow over President Boris Yeltsin's inauguration ceremony tomorrow. After a fragile ceasefire agreement broke down earlier said the change of venue from this month, Chechen rebels an outdoor to an indoor site launched a series of guerrilla raids on Russian troop positions. Yesterday they fought their way into the heart of Grozny, seizing the telephone exchange and threatening to storm the local government

headquarters. The assault prompted a fierce response from Russian helicopter gunships as army commanders vowed to "take all possible steps" to evacuate civilians and clear the city of guerrillas. Russian reinforcements arrived in Grozny last offices, according to Interfax, the Russian news agency.

The fighting in Chechnya will come as a severe embar-rassment to Mr Yeltsin as he prepares to greet 3,000 Russian and foreign dignitaries at his inauguration ceremony in the Kremlin. The ceremony will be the first occasion that a democratically elected leader is sworn into office in Russia's history as a sovereign nation. All leaders from the Commonwealth of Independent

States are expected to attend the inauguration as well as foreign ambassadors in Russia. But fresh concerns were raised about the state of Mr Yeltsin's health as the inauguration's organising committee switched the venue for the ceremony from the Cathedral Square to the Soviet-era Kremlin palace.

The president's press service

was purely a cost-cutting measure that would save Rbs9,000bn (\$1.7m). But some observers suggested Mr Yeltsin wanted to minimise his exposure at the ceremony, which has already been cut from 60 to

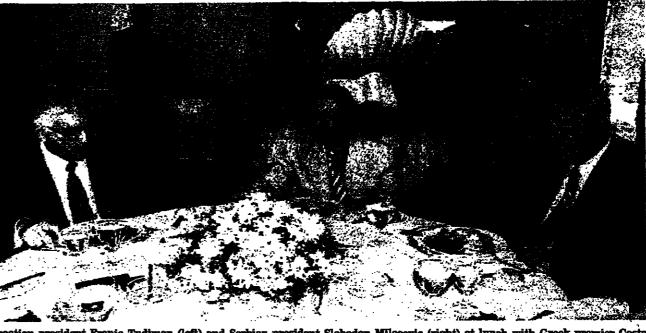
30 minutes. Mr Yeltsin has not

been seen in public since June

His failure to resolve the conflict in Chechnya may also alienate many of his liberal supporters who grudgingly backed the president's re-Lebed, the secretary of the Security Council, held out some hopes yesterday that a new more broadly based peace initiative would soon be

launched in Chechnya. Mr Lebed said the Security Council planned to convene a forum of all interested parties in Chechnya to hammer out a compromise solution.

> Zyuganov eyes links with nationalists, Page 2; Tall order



Croatian president Franjo Tudjman (left) and Serbian president Slobodan Milosevic (right) at lunch with Greek premier Costas Similis during talks in Athens where Serbs and Croats made progress on opening full diplomatic relations Report, Page 2 Picture Router

France announces big spending cuts

By Andrew Jack in Paris

The French government vesterday announced plans for substantial cuts in public year's level of FFr1,552bn. spending to achieve a planned

But scepticism in the markets about the French government's ability to maintain budgetary rigour reinforced recent downward pressure on the franc. It closed at FFr3.413 against the D-Mark, its lowest closing level since March and a fall of 1.7 centimes against the D-Mark this week. The Matignon, the prime

minister's office, said it had set "an unprecedented" objective of cutting more than FFr60bn

expenditure targets across government departments to ensure that next year's overall target was maintained at this

franc, which he said was driven by "rumours" that encourage speculation, "espe-cially during August". Yester-

day's expenditure freeze was ments of the government's "the best response" for the markets, he said.

He reiterated that the government would meet its objec- and that the government Mr Jean Arthuis, the ministive that the 1996 deficit would almed to reduce the tax burdismissed the pressure on the domestic product falling to 3 per cent in 1997 and allowing France to meet the Maastricht criteria for monetary union.

Mr Arthuis said the first ele

promised five-year tax reform programme would be unveiled in parliament this autumn.

Yesterday's budget figures emerged after the last French cabinet meeting before the

Continued on Page 12

for a tired man, Page 11 (\$12bn) in real terms from Schering profits boosted by surge in MS drug sales

By Judy Dempsey in Bonn and ment analysts have criticised

Schering, the German pharma ceuticals company, yesterday delivered the profits growth investors have been expecting for more than two years.

The sharp rise in profits was helped by a surge in the sales of Schering's multiple sclerosis drug, the first to be marketed by a pharmaceuticals

Net profits for the first haif of the year rose 32 per cent from DM185m in 1995 to DM244m (\$165m). The comnany said it expected profits to grow by a third for the

This rate of growth is double that posted by most large euticals companies at shares rose 3.2 per cent to

The profits rise ends a run of disappointing results over the past year, caused partly by the strong D-Mark. Invest-

Arts Guide

the company for what they 20 per cent. Domestic sales regarded as passive management. Mr Mark Tracey, ana-DM355m to DM375m. lyst at Goldman Sachs in Lon-The tax burden on pre-tax

don, said the company had undergone a transformation in the first half of the year. "Management seems to have got its strategic act together," he said. He said Schering had signed a distribution agree-ment with Abbott Laborato-

ries of the US, one of the world's biggest suppliers of hospital drugs, for Schering's contrast agents, used to made X-ray images clearer.

and fertility divisions. the interim stage. Schering sis drug, Betaserun, rose from shares rose 3.2 per cent to DM190m to DM265m in the

Schering's growth was led by a sharp increase in foreign sales, lower tax charges and higher sales in its diagnostic

Sales of its multiple sclerofirst half. Group sales rose 11 per cent from DM2.3bn to DM2.56hn. Foreign sales rose 12 per cent, from DM1.95bn to DM2.19hn, with sales in the

CONTENTS

increased 6 per cent. from

earnings fell to 41 per cent as most growth was in countries with lower corporate tax rates than Germany. Sales in the fertility control and hormone therapy division

grew 10 per cent, from DM705m to DM775m, with Climara, a hormone drug launched last year in the US contributing DM21m. Earlier this year, Schering took a 74.9 per cent stake in the Jenapharm group, an east

German company specialising in fertility products. Last month it bought Leiras, the Finnish company specialising in fertility control and hormone treatments. The therapeutics business, which grew by 16 per cent, from DM577m to DM670m, was boosted by sales of Betaseron

World stocks, Page 30

First European **Union Conference on Campus Companies**

Cork, Ireland. 4th & 5th September 1996

The exploitation of research results and the development of technology based firms are two of the keys to employment growth and regional development. In many countries the University campus has been a rich source of such start-up, high technology enterprises.

This conference will bring together international experience in establishing, nurturing, funding and growing campus companies. The programme will include key players in the field with speakers from Hewlett Packard, Massachusetts Institute of Technology. Elan, 3i and the European Commission. There will be a full supporting social programme. **Bookings to:**

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NEWS: EUROPE Serbs and Croats edge a bit closer

By Kerin Hope in Athens and Laura Silber in Beigrade

Presidents Slobodan Milosevic of Serbia and Franjo Tudjman of Croatia Presidents yesterday appeared to make progress at talks in Athens on opening full diplomatic

But they failed to resolve crucial obstacles to mutual recognition by the two former Yugoslav republics and no firm timetable was set for establishing normal ties.

They agreed that the Serbian and Croatian foreign ministers would meet in Beigrade at the end of August to discuss a formal accord covering issues such as the exchange of ambassadors, said a statement issued after

Tanjug, the Serbian state news agency which reflects stressed that Croatia must meet "political pre-condiGreek premier takes a brief bow and retreats to the wings

Greece's prime minister, Mr Costas Simitis, made a quick exit yesterday after wishing the leaders of Serbia and Croatia success at the start of their talks at a seaside hotel outside Athens,

writes Kerin Hope. While Greek officials stressed that the meeting between Presidents Slobodan Milosevic and Franjo Tudjman was arranged by the Socialist premier "to promote peace and stability in the Balkans", they were careful not to sound over-optimistic about its outcome. The Greeks have unhappy memories

there could be recognition. only 1,000 Serbs have been

These include the return of allowed back into Croatla several hundred thousand Serb and Croatian refugees to their homes.

A year ago this week. some 200,000 Serbs fled Croa-Mr Milosevic's views, later tia after the Croatian army captured the Serb-held enclave of Krajina. Despite tions" set by the Dayton Mr Tudjman's formal compeace agreement before mitment to their return,

of a falled attempt in 1993 to reconcile the warring factions in former Yugoslavia. Those talks at the same hotel at Vouliagmeni, hosted by conservative prime minister

where they face harassment

The Serb and Croat presi-

dents, the two most powerful

leaders in ex-Yugoslavia,

had not held a bilateral sum-

mit since March 1991, when

they conspired at a hunting

lodge in northern Serbia

by local authorities.

Constantine Mitsotakis, ended with all the ex-Yugoslav leaders putting their signatures to the Vance-Owen peace olan. But Mr Mitsotakis's diplomatic triumph collapsed a few days later when the self-styled Bosnian Serb parliament rejected the plan.

In the past year, Greece has tried to offset its image of being too close to the Serbs by promoting relations with Croatia and the Bosnian Moslems. Yet the traditional Greek-Serb friendship still flourishes. Mr Milosevic is a frequent visitor to Greece where he is courted by businessmen who used to ship oil and other supplies to Serbia in defiance of United Nations sanctions and are now keen to invest there.

The Serbian leader is believed to have asked Mr Simitis to set up the meeting with Mr Tudjman during a holiday aboard his new yacht, purchased in Athens. He arrived for esterday's talks from Hydra, an island popular with Greek shipowners.

strained earlier this year Yesterday's meeting was arranged by Greece's prime minister, Mr Costas Simitis at the request of Mr Milosevic. It was held amid tight security in a luxury hotel in Vouliagmeni, a seaside suburb of Athens.

Greece has close ties with province of Macedonia. Diplomats in Belgrade said Serbia, based on their comto partition Bosnia at mon Orthodox Christian tra-Mr Milosevic requested the

edonia under that name. which Greece claims should be changed to avoid implying a claim on the Greek

dition. But relations were

meeting to try to speed the process of mutual recognition with Croatia.

He is anxious to secure recognition for Serbia and Montenegro as the sole successor state to the Yugoslav federation, taking over its seat at the United Nations and its membership of the International Monetary Fund without having to meet any conditions which might be imposed on a new

member. Mr Milosevic had also revived his proposal for a three-way exchange of territory with Croatia and the mian Serbs which would improve access to rump Yugoslavia's only naval base in the Bay of Kotor.

when Mr Milosevic decided In return for handing over to recognise the former the Prevlaka peninsula Yugoslav republic of Macwhich overlooks Kotor, Croatia would get Bosnian Serbheld land in the hinterland of Dubrovnik. The Bosnian Serbs would get a strip of land between Yugoslavia

Zyuganov eyes links with nationalists

By John Thornhill in oscow and agencies

Russia's Communist party yesterday attempted to revive its political fortunes after last month's crushing presidential election defeat by forging a formal political alliance with leading nation-

At the founding congress of the National Patriotic Union, leading Communist politicians urged all opposition forces to rally around the new movement to campaign for the next presiden-

tial election in 2000. Mr Gennady Zyuganov, the Communist party leader and defeated presidential candidate, said, "We face a choice. Either we unite our forces or lose our mother-

The new union will include at least 44 parties, including the parliamentary Communist and Agrarian parties, and many national-

A common programme has still to be developed for the views but there were signs of a shift from the communist past towards a more nationalist position. Draft documents circulated at the conference made no mention

Such a move reflects the perception of many politicians, including moderate communist leaders, that nothing resembling old-style communism could command enough support for electoral

Moderate nationalism appears to have a wider appeal because many people yearn for the superpower status lost when the Soviet Union collapsed in 1991. Some extreme Communists were wary of the new union. Mr Victor Anpilov, who

leads the militant Working Russia movement, said that such a broad coalition would lack the iron discipline needed to create an effect-



All in favour. Mr Gennady Zyuganov (centre) votes with colleagues at the congress yesterday

"To use Lenin's words, what one needs to break down a regime is not simply a powerful organisation but an organisation of revolutionaries." he said.

But Agrarian party leader Mr Mikhail Lapshin said he hoped radical parties such as Working Russia would not join the new Union. "There must be a normal

constructive opposition," be

before the congress. Mr Annilov responded by distributing a statement at the congress saying he would join the Union only if

co-operation with the authorities. Working Russia won more than six million votes in a parliamentary moderates would welcome a break with Appilov because

limits the chances of attract- ented power." ing millions of potential centrist voters.

Mr Nikolai Ryzhkov, the former Soviet prime minister it agreed to complete lack of and head of the union's organising committee, said: The aim of the movement is to achieve a transformation to save the country from election last December but national catastrophe and create a force working for the rebirth of Russia as a great,

The biggest groups in the new party will be Mr Zyuganov's Communist party and its allies in the Agrarian party, which will provide the union's base in parliament. In the short term, it will attempt to capitalise on public discontent with the government, especially if its economic difficulties increase. Tall order for tired man,

Old ghost back to haunt Spain's new team

returned to torment the country's

new conservative administration. Controversy over the government's approach to the investigations has rocked inter-party consensus on the handling of Basque violence. It has also strained relations between the governing Popular party and the moderate Basque Nationalist party (PNV), one of the allies on whom it relies for a majority in parliament.

Mr José Antonio Ardanza, PNV president of the Basque regional government, is set to call a special meeting of the main political parties in the region, probably next

The spectre of the "dirty war" against Basque terrorism, which The 'dirty war' inquiry which tormented the Socialists their last term in office, has is now straining the conservatives, writes David White

Socialists.

of a pact, signed by the parties in 1988, to work together to pacify the Basque country. It has been prompted by the government's refusal to band over secret service documents to three judges investi-gating "dirty war" cases, and by the release from custody of a Civil Guard general who had commanded the force's main operaPNV splinter party. The PNV accused the court which ordered the release of the controversial tutions. Civil Guard officer, Gen Enrique Rodríguez Galindo, of yielding to

pressure. The move threatens to underinter-party front in the fight

fire, freed a kidnapped prison officer and accepted democratic insti-

Mr José María Aznar, prime minister, said yesterday the meet-ing was "not a good idea" since there were no reasons for calling mine efforts to maintain a joint it. After a two-hour audience with King Juan Carlos at the monarch's against Eta, the illegal armed sep-aratist group. In June, when Eta said the government had acted in

"I was elected to govern this country, not to stir up the past," made clear it would attend the talks. The Socialists described the initiative as "a mistake".

The Supreme Court is due to make a final decision early next month on whether to call on Mr Felipe González, the Socialist former prime minister, to testify in the inquiry into high-level involvement in the Anti-Terrorist Liberation Groups (Gal), which are held responsible for 27 killings

in the 1980s. After a recent string of Eta attacks in tourist centres, police experts on Tuesday blew up a suspected bomb at a state-owned Par-

week, overriding objections from result of a switch in position by mainstream parties in the region both the Popular party and the agreed on a common declaration the PNV, joining demands by the Communist-led United Left and rejecting negotiations unless the The meeting is under the terms Eusko Alkariasuna, a harder-line organisation extended its cease-

tional headquarters in the region. Mr Ardanza's decision is the

ador hotel outside Córdoba.

vorwegian onshore oil workers threaten strike

onshore oil workers which could shut down Norway's largest refinery and disrupt crude deliveries. Reuter reports from Oslo.
The YS skilled workers'

union yesterday threatened to pull out 280 members at

THE FIVANCIAL TIMES
Published by The Financial Times (Europei
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Number One Southwark Bralge, London
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GERMANN:
Responsible for Advertism; Celin A. Kennard, Printer Hierrys! International Verlaggestilschaft mbH. Admiral-Resendabi-Straste is, edito. New Jersburg 1858 1013-750. Responsible Editor Rashard Lambert, clo The Financial Temes Limited. Number One Southwark, Bridge, Lundon SEI 9HL.

FRANCE: Publishing Director: P. Mara-iglia, 42 Rice La Bottle, 7908 PARIS. Telephone (61) 5376-5254. Frinter: S.A. Nood Eckier, 1523 Ros de Crite. F-99100 Roshart Coder I. Editor Rechard Lambert, ISSN 1148-2753. Commission Partiare No 6780602.

SWEDENC Responsible Publisher: Hugh Carnegy 448 bl8 6682 Printer: AB Kvallstidningen Expresses, PO Box 660°, \$-550 06. Expresses, PO Box 660°, S-550 06, loubdoms.

C The Fearmest Times Limited 1996.
Editor. Richard Lambert Con the Fearmest Times Limited. Number One Southwark Bridge, Louden SEI 9HL

the Mongstad crude terminal state-owned oil company,

This gave rise to fears yesterday that the dispute could spread to the gas and petrochemical sectors.

and office personnel, are employed by Statoil, the

Oslo last night to stop a proposed strike by Norwegian agreement on general workgian Oil Industry Associa- crude from Norsk Hydro's bers working across its

> The YS workers, who include engineers, operators

Troll and Statoil's Heidrun fields and some deliveries from the Gullfaks and Statfiord developments. It has a storage capacity of 8m barrels of oil. The nearby refi-

Statoil said it was working on contingency plans to lessen the impact of any The terminal handles action. It has 800 YS memoperations. If the initial strike goes ahead, YS is reported to have plans to accelerate action after four

Extended action would nery has a throughput affect operations at the Kaarcapacity of 144,000 barrels stoe gas terminal and at

in south-east Norway. Kaarstoe is the processing terminal for the Statpipe line, which collects gas from the Statfjord, Gulifaks, Tordis, Snorre, Brage Veselfrikk ethylene and 100,000 tonnes and Heimdal fields for transport to Emden in Germany. It has a capacity of about 25m cubic metres a day. It is also the landing point for strike spread. The company condensate from the 60,000 has 80 YS members out of

venture between Statoil and Finland's Neste Oy produces 130,000 tonnes a year of highdensity polyethylene, 140,000 tonnes of low-density polyof polypropylene.

Borealis said it was too early to tell if the plant would close completely if the EUROPEAN NEWS DIGEST

Go-ahead for **BP** and Mobil

British Petroleum and Mobil of the US have been given the go-shead by the European Commission to proceed with the \$5bn merger of their European refining and marketing operations. Brussels imposed no restrictions on the merger, which is the most dramatic response so far to the chronic overcapacity threatening the viability of western Europe's downstream oil industry.

The tie-up will result in the loss of 2,000-8,000 jobs out of combined non-service-station workforce of 17,500 across the continent. Combining the two companies' operations should result in annual pre-tax savings of \$400m-\$500m, achieved mainly through economies of scale, the

eduction of overheads and eliminating duplication. BP will manage the fuels side of the combined busine while Mobil will focus on lubricants. The two companies should be able to complete the first country partnerships by the end of the year. The merger is expected to be completed by the end of 1997.

Euro seen to benefit Germany

Europe's proposed single currency, the euro, will benefit the German economy by opening export opportunities, slashing transaction costs and removing pressure for the D-Mark to appreciate, DB Research, the research arm of Deutsche Bank, said yesterday.

In a study paper, DB Research said banks would be hit nitially by the costs of currency conversion and informing the public, but would then benefit from growth impulses in the internal market. Demand for paper and orinted goods would benefit those industries temporarily, while software developers could also expect growth.

DB Research said almost DM40bn (\$27bn) annually in ransaction costs could be saved by the euro, which would also provide greater certainty in calculation and more transparency and would cut the need for currency hedging. Germany would tend to become more attractive as a place to do business. Reuter, Frankfurt

German building jobs at risk

Germany's construction industry could shed 200,000 jobs in the coming year if it fails to revive and if labour costs do not become more competitive.

The grim forecast by Mr Fritz Richbauer, leading figure in an industry which employs more than 1.1m people, coincides with attempts by the government, unions and employers to agree on minimum pay levels for building workers from other European countries who are imployed in Germany for much less than their German

Mr Eichbauer's warnings confirm a recent report by the Ifo economics research institute. It said overall growth in construction would fall 4 per cent next year after a decline of 1 per cent in the second half of this year and a sharp drop of 5 per cent during the previous six months

caused largely by the long winter. Investment in the industry was expected to fall as much as 4 per cent this year in west Germany, while the boom in east Germany was set to end. Judy Dempsey, Bonn

Russian company loses assets A Russian court has seized the assets of Zvezda, which

makes nuclear submarines, and intends to sell the company hospital and maternity home to pay its debts, the Interfax news agency reports.

The company, in Bolshoi Kamen on the Pacific coast,

owes its suppliers more than Rbs36bn (\$7m), according to Mr Valery Maslyukov, a company director, and the court action has been brought by a water company owed around Rbs6bn. He told Interfax the medical facilities were likely to be sold at "dumping prices" and that if the sale did not raise enough cash, Zvezda would also have to sell cars and computer equipment.

Mr Maslyukov pointed out, however, that Zvezda was itself owed more than Rhs80bn, including Rhs17bn of

Zvezda's problems are part of a vicious circle of non-payment affecting much of Russian industry. Companies do not pay their bills, and are not paid for deliveries, and many of them have allowed large wage

Erbakan backtracks on Kurds

Mr Necmettin Erbakan, Turkey's Islamist prime minister, yesterday appeared to disayow proposals by members of his Refah party to open talks with moderate Kurdish representatives on ending the 12-year insurgency in south-eastern Turkey led by the Kurdistan Workers party

"We will make no concessions in the fight against terrorism, we will not sit at the table with terror," he said after a regular weekly meeting with President Süleyman Demirel, who is close to Turkey's powerful security establishment. Mr Erbakan said: "It is impossible for Turkey to abandon its approach of a single nation, single flag and unitary state."

In opposition, Mr Erbakan claimed he would bring peace to the mainly Kurdish south-east, where 20,000 civilians, soldiers and guerrillas have died, by bringing Turks and Kurds together under Islam. Military hardliners have repeatedly blocked proposals for a political settlement. The government said troops had killed 24 guerrillas in clashes throughout the southeast yesterday and on Tuesday. John Barham, Ankara Germany's federal statistics office yesterday said nominal sales in almost every branch of the wholesale trade had declined in June, year-on-year, with finished goods, consumer goods and agricultural and livestock products reporting the highest falls. In real terms,

finished goods fell 9 per cent and consumer goods 6 per ■ The French cabinet yesterday confirmed the appointment of Mr Yves Michot as chairman of state-owned Aérospatiale. Mr Michot replaces Mr Louis Gallois, who leaves to head SNCF, the state railway. Mr Michot joined the company in 1984 as director of military

programmes and became managing director last year.

Court gives French electricity group a nasty shock

Pressure is mounting on the French government to decide

Andrew Jack reports on a social security ruling that could cost EdF a packet be affected, as well as high- decree signed in 1960. It says

whether to authorise a new social security structure for state electricity monopoly, following a long-awaited EdF's staff. legal judgment issued last

country's highest administrative court, ruled last system in 1984. Under that directly by the state social month that the social security regime applied by EdF to its workers since 1960 was illegal, raising the possibility that the group could be forced to make back-pay-

(\$600m). The decision is triggering a round of soul-searching always paid the charges for among other French public

lighting the extraordinarily Electricité de France, the complex and bizarre structure of remuneration paid to

government social security The Conseil d'Etat, the payments collection agency, Urssaf, challenged the EdF system, the company and its 120,000 employees are liable to pay social security levies totalling 16 per cent on their basic wage only and not on any of the bonuses which ments totalling FFr3bn make up a significant proportion of their final pay. EdF stresses that it had

which it was liable which

that its staff were exempted from payments on their bonuses to compensate for the fact that EdF itself pays The Toulouse office of the costs such as maternity leave, medical expenses and for accidents at works, which are normally funded

> security system. It also argues that the system evens out, and stresses that although the bonus payments provide additional income to its staff, they do not count towards the calculation of pensions. However, EdF's critics say

that this system breaks with

the Republican principle of

equality, by granting exemp-

bizarre nature of a system which is structured around dozens of bonuses. The EdF statutes include

bonuses such as two months' salary for an employee who marries; payments on top of the legal minimum allowde that person's job - such as answering telephone calls for someone on 24-hour call.

50 types of bonus: including

tions to the group which are job requirements; pay to not available to other compastaff carrying out compulnot available to other compa-nies. They also underline the sory military service; compensation for holidays which have not been taken; and even one for staff who change jobs and lose existing bonuses in the process.

The Conseil d'Etat, to which the case was referred by the social security tribuance for each child; and com- nai in Toulouse in 1991, pensation for the concierge ruled in July that the 1960 or wife of an employee who decree followed by EdF was is periodically called on to illegal, on the grounds that number of special regimes, it was signed by a mere min- making an exception for EdF ister, and in fact required could prove politically the authority of the prime embarrassing. The risk is

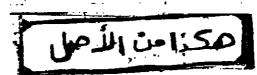
Edf says there are nearly minister. The question now is overtime; moving into whether Mr Alain Juppé, the trial unrest in the coming Premier Alain Juppé: higher cost areas because of current prime minister, will

sign a new decree, and on what terms Some experts say he could

make new regulations retroactive, exempting EdF from making any past payments. Others believe he may even refuse to "legalise" EdF's existing system.

At a time when the government is seeking additional funding for its deficitridden social security system, and a reduction in the that to refuse to do so could trigger a new round of indusmonths.





abortion

The deep Republican

divisions over abortion were

further underscored yester-

day as moderates accused

religious and cultural con-

servatives of trying to create

a "monolithic" party, while pro-life candidates emerged

victorious in scattered con-

Massachusetts, a staunch

advocate of abortion rights,

warned that he was ready to

lead a floor fight at next

week's convention in San

Diego if the party's platform

committee did not agree to

publish a minority report

emphasising the diversity of

That approach has been

rebuffed in committee delib-

erations to date. But, Mr

Weld said, "It seems to me

this isn't rocket science. We

know half the delegates are

pro-life and abnost half are

pro-choice. Why don't we

persuasion, including Gover-

nors Pete Wilson of Calif-

Whitman of New Jersey and

Republican opinion.

just say so?"

Governor William Weld of

gressional primaries.

rift deepens

in six state delegations is

the floor of the convention for full debate, a goal which

Mr. Wilson thought was

withta reach.
Mr Weld argued that it

was vital for Republicans to show their "inclusiveness"

on social issues and concen

trate on economics in the

fight against President Bill

"If we do that, I don't think it's necessarily nega-tive for [fixely presidential candidate Bob] Dole to pick

either a pro-life or a pro-

But the strength of the

pro-life forces at grass-roots

levels was again shown in the Republican primaries,

frequently dominated by

committed activists. In three

of the four Senate contests,

in Kansas, Michigan and Georgia, the only important

difference between the win-

ners and losers was their

in Michigan, for example

previously married to the

son of the Blustrious late

ney, edged out Mr Jim Nic-

position on abortion.

choice running mate."

eded to bring any issue to

w to incredit German

breakfing jobs at risk

a complaint loses assets

tracktracks on kur

NEWS: THE AMERICAS

Republican David Pilling on the economic problems awaiting Cavallo's replacement

Different minister, same Argentina

Merval index of blue chip stock

Argentina: vote of confidence for Fernández

r Roque Fernández.
Argentina's new economy minister, could bardly have hoped for a smoother first few days in office. Instead of the turbulent markets many had expected to follow the removal of

Mr Domingo Cavallo, his predeces-sor, Mr Fernández has been greeted by market optimism and Much of that is to do with the political astuteness of President Carlos Menem, who judged to per-

fection the moment to sack his assertive economy minister - once considered the guarantor of Argenmounted an impressive operation designed to bolster the credibility of Mr Fernandez the weekend after the dismissal

Before markets opened on Mon day July 29, Mr Fernández had received the support of all sections of the Argentine establishment. including Mr Cavallo. He had also named a team of highly orthodox, monetarist economists judged stalwart defenders of the convertibility system. Argentina's economic erstone that pegs the peso at

parity with the dollar. Markets reacted like a dream. with the local Merval index of blue-chip stock up nearly 10 per cent in the first week after Mr Fernánder's appointment. Interest rates remained virtually

"The world did not collapse," says Mr Freddy Thomsen of ING, the Dutch bank. "But now we realise that this is the same world as last month, with the same problems and few solutions." 🙃

Those problems centre on a stagnant economy struggling to haul

itself from the deep recession of last year. Tax receipts are short of targets set with the International Monetary Fund, obliging the treasury to raise taxes further or to look for spending cuts. Convertibility, which forbids the printing of local currency not backed by for-eign inflows, in effect removes the tools Argentina might otherwise use to jolt the economy into action.

Room for manoeuvre is narrow. Next year, according to Merrill Lynch, the US securities house, Argentina's financing needs reach an uncomfortable peak, with debtservice payments rising from \$11.7bn in 1996 to \$14.8bn.

"The reason the transition was so smooth was due to the orthodoxy of the economic team," says Mr Pedro Lacoste of the Alpha economic consultancy. "But this could backfire in the medium term."

This could happen, he believes,

because Mr Fernández, as a strict Chicago-trained monetarist, is likely to be more rigid in his policy decisions than Mr Cavallo, Social and political demands are mounting fast, given 17 per cent unemployment, and the likely inflexibility of Mr Fernández could guickly become a headache for the Peronist party, which has its roots in the working class.

Neither does Mr Fernández have the political clout of his predecessor, who often took the blame for unpopular decisions, shielding the president from criticism.

Mr Fernández, most analysts gree, will take a tougher stance than Mr Cavallo on the growing fiscal deficit - likely to reach \$5bn. or nearly 2 per cent of gross domestic product, this year. Mr Cavallo tended to put his faith in expected future growth, while Mr Fernandez, conscious of the rigor-

ous standards imposed on Argentina by foreign investors, will be inclined to seek immediate deficit reduction.

GDP growth in the hi

"On the one hand, Fernández has to adopt a tighter fiscal policy to show that the deficit has not become structural," says Mr Lacoste. "But, on the other, he has to make every single effort to speed up recovery. That, of course, is a contradiction."

Mr Geoffrey Dennis, chief Latin American strategist at Bear Stearns, the US investment bank and brokerage group, agrees: "The biggest problem, once you've got over the issue of confidence, is that it's going to be no easier for Fernández and probably more difficult - to get the economy going again." Hemmed in by convertibility on one side and IMF targets on the

other. "Fernández will face exactly

It is unclear whether the frac-tious Peronist party has the stomach to push through ever-tougher policies. Peronists in Congress have promised to co-operate with the new minister but, with the threat of market collapse overcome, their pledges may quickly evaporate. A commitment last week to dispatch several privatisa-

tion bills has already been broken. Unions too, which are today mounting a 24-hour general strike against economic policy, are not likely to extend an over-friendly hand to the conservative Mr Ferindez, who is bent on making labour relations more flexible and on seeking further spending cuts. It may not be long before the wrath previously reserved for Mr Cavallo shifts to his replacement.

'Mr Fernández may be doomed to entering a lose-lose game, warns Mr Shafiq Islam of Credit Suisse, "if he goes after greater fiscal austerity in a jobless economy struggling to emerge from recession, he will quickly earn the wrath of the old-guard Peronists... If he gives in to Menem's manipulation, he will lose credibility in the international financial community and earn the ire of the

Mr Orlando Ferreres, an economic consultant, believes that Mr Fernandez has the skills to steer the economy in the right direction, and that President Menem has the political courage to push through necessary legislation.

Above all, he says, recent events have been a test of fire for Argentina. "The minister of convertibility has gone," he says. "But con-

US growth eases

He then contacted prominent Republicans of similar mer talk show host who was

ornia and Christine Todd state governor George Rom-

Senator Olympia Snowe of holson, a pro-choice busi-

The US economy kept the book, compiled by the growing in June and July, New York regional Fed the Federal Reserve said yesterday, but there were signs the pace was easing from its hectic second-quarter rate,

Raw material and finished. goods prices were generally industry reports showing the flat, the Fed said in its latest economy slowing after the Beige Book summary of national economic activity, while wage pressures "remained subdued" despite: tight labour markets.

Fed policy-makers will use

bank, when they meet on August 20 to plot interest-

The Fed is expected to boid rates steady amid a spate of government and strongest growth in two years during the second quarter. The book said retail sales were softer in most of the country at the start of the second half of the year.

By Bernard Simon in Toronto

Canada has bowed to the rapid convergence of telecommunications services by clearing the way for open competition between telephone and cable television compa-

Players on both sides are expec-

ted to, move cautiously to take advantage of the new policy, which was announced after a cabinet meeting earlier this week. Mr John Manley, industry minis-

ter, said "the objective of the exer-

cise is to provide choice, to pro- ual approach than some other etrations. About 80 per cent of to bring about lower prices for con- and broadcasting deregulation.

But Mr John Henderson, analyst at ScottaMcLeod, a Toronto-based securities firm, said the new regime "doesn't change the economic or technical barriers, which are high". In addition, various regulatory issues, such as inter-connection rules and curbs on crosssubsidisation, still need to be ironed out.

Canada has taken a more grad-

duce technological innovation and industrial countries in telecoms

Canada paves way for telecoms battles

The telephone market is dominated by about 10 local phone companies, led by Bell Canada, which have a near-monopoly on services in each province. The phone companies have proved unexpectedly agile in responding to competition in the long-distance market, introduced in 1992.

The cable-TV industry has the advantage of a modern network hesitant to mount a full-scale

Canadian homes have access to cable-TV.

But the cable operators have so far concentrated on specialised telecoms markets, such as broadcast studio feeds and private business circuits. The phone companies' muscle, cross-subsidisation of local rates by long-distance services, and sobering experiences in other countries, notably the UK. have made the cable-TV industry and one of the world's highest pen- assault on the telephone market.

Mr John Kuhn, a Toronto consultant, predicted some cable operators will start providing local telephone services next year. British Columbia's phone company recently gained approval to supply cable-TV programming to a large new residential development in Vancouver.

However, head-to-head competition could be fiercest in high-speed internet services. Some cable operators have recently begun trials in a Toronto suburb and in parts of



Malaysia to review power grid

Malaysia is to hire a foreign consultant to review the operations of Tenaga Nasional, the national power utility, after a blackout last weekend which embarrassed the government, cost manufacturers an estimated M\$123m (\$49m) in losses and has shaken foreign investors'

Prime Minister Mahathir the country. Mohamad, irritated at what he has national power grid parallel to the would be increased to ensure there happened at the weekend.

existing one. He also did not rule out is not a recurrence. But Dr result of the power cut.

Industry analysts said some or all "They can't give a guarantee and of five independent power producers we find this difficult to accept when which already generate power, may other countries don't have such be given permission to build trans-

Mr Ani Arope, Tenaga's executive

ending Tenaga's monopoly on power Mahathir, in common with other transmission and distribution. The senior government officials, did little government has said consumers can to conceal their impatience with sue Tenaga for losses incurred as a Tenaga - which is 70 per cent stateowned - and Mr Ani.

mission networks in some areas of said. He dismissed Mr Ani's assessment that there was no inherent weakness in the country's integrated called a national shame, said it chairman, yesterday defended the system in which a single failure might be necessary to build a new company's record, saying efforts could shut down the whole grid, as

... but doubts grow over the second guarters

the blackout was heightened by the fact Dr Mahathir had two days previously invited the world's top information technology companies to invest in a "multimedia super-

corridor" near the capital. Ms Rafidah Aziz, minister for international trade and industry said she had been forced to assure Japanese investors that Malaysia had overcome earlier electricity

In 1992, the national grid shut down after a bolt of lightning hit a

Japan's three roling

coalition parties agreed

yesterday to work out a set

of measures by the end of

September to reform the

Finance Ministry, Kyodo

reports from Tokyo. Top

party policy-makers agreed

after the ruling coalition falled on Tuesday to adopt proposals drafted by the

Social Democratic party as a basis for discussions

ecause of strong opposition

from the Liberal Democratic party – a fellow member of

the coalition and its biggest

dence the Japanese are

about to abandon their fru-

gality of recent years. Latest

to map out reform measures

Threat to foreign ownership

By Terry Half in Wellington

The New Zealand First party, which is campaigning on a policy of economic nationalism in advance of October's general election, would ban all overseas investors from owning more than 24.9 per cent of any strategic asset, its leader. Mr Winston Peters, said yesterday.

NZ First is currently the second most popular party, with 20 per cent support in opinion polls compared with 46 per cent by the National party government. NZ First's best hope of entering government would be coalition with Labour, which opposes its views on foreign ownership.
Mr Peters' comments fol-low a statement by the New

Zealand manager of the Syd-ney-based institutional investor AMP Society that it might reduce its New Zealand investments if it appeared that a change of government after the election on October 12 would threaten its policy-holders' interests.

The AMP, with NZ\$5bn (US\$3.4bn) under manage-ment, is New Zealand's big-gest life insurance company. Mr Peters said the second biggest, French-controlled National Mutual, would also be restricted in asset owner-

There was widespread surprise at Mr Peters' comments as recently he bad been trying to allay foreign investors' fears of sweeping changes in foreign ownership rules.

His comments came after political polls showed a surge in support for rightwing Christian parties to more than 5 per cent, sufficient for them to join forces with the National party to keep Mr Jim Bolger's administration in power. Mr Peters campaigns against business corruption and seeling of New Zealand assets abroad. This has put him among the country's most popular politicians.

ASIA-PACIFIC NEWS DIGEST

Radish linked to epidemic

Japanese growers of white radish sprouts yesterday sought to allay consumer concerns after a government sought to aliay consumer concerns after a government report identified the vegetables as a possible source of the food poisoning epidemic that has killed seven people and left more than 9,000 ill. One large supermarket chain, its Yokada, yesterday said that it would halt sales of white radish sprouts. A vegetable producer said that the government report was a "matter of life or death" for growers. Vegetable markets have reported significant declines in the prices of vegetables for raw consumption, such as lettuce and cucumbers.

The producers' fears followed an announcement by Mr Naoto Kan, health and welfare minister, that the vegetable might have been a source of the infection in Sakai, the western city at the centre of the epidemic. This is the first time the government has identified a specific food as a possible source of the epidemic.

The report says white radish sprouts which were supplied by a single producer were served in lunches at supplied by a single produced were selved in indicates at schools in Sakai, and at an old persons' institution affected by the food poisoning. The government yesterday said it would investigate the supplier of the white radish sprouts under the Communicable Diseases Prevention Michiyo Nakamoto, Tolay Law invoked on Tuesday.

Jakarta trade surplus falls

Indonesian trade and inflation figures published yesterday gave mixed signals, with analysts still uncertain whether the economy is heading for a soft landing. The inflation rate in July increased 0.68 points

landing. The inflation rate in July increased 0.68 points from the previous month to 7.5 per cent year-on-year. The increase came in all sectors, most notably in July food prices, up 1.04 per cent month-on-month.

The trade surplus fell to \$203.1m in May from \$366.2m in April. Analysts said the trade imbalance was likely to worsen in the second half of 1996 as more foreign direct investment projects came on-line and global demand for Indonesia's exports flagged.

Manuela Saragosa, Jakarta

Japanese film star dies

Kiyoshi Atsumi, the Japanese star of the world's longest-running movie series and a cinematic symbol of Japan's post-war development, has died, Shochiku, his film company, said yesterday. News of the death of the 68-year-old actor, who played the character Tora-san in 48 films since 1969, shocked Japan, with several television stations suspending their programmes to report the actor's demise. "His films reflected the period of post-war peace; his death seems to signal the end of an era for Japanese history," Mr Yoshiro Shirai, a leading film critic, said. The character played by Atsuni, a well-meaning but misguided hawker, frequently ended up in unlikely situations across Japan or in European cities such as Vienna and Amsterdam.

■ Taiwan posted a trade surplus of US\$1.35bn in July, up 140 per cent from July 1995, the finance ministry said yesterday. The gain was attributed to a sharp slowdown in imports. Imports fell 15.5 per cent from a year earlier to US\$8.124bm, while exports slid 6.8 per cent Laura Tyson, Taipe to US\$9.47bn.

■ India yesterday announced dates of local assembly elections in the troubled state of Jammu and Kashmir, the first assembly polls there in nine years. Polling will be held on September 7, 16, 21 and 30.

Economic pessimism grips Japan

Consumer spending is rising but may not lead to a boom, writes Gerard Baker

n spite of a wealth of evidence that Japan bas at L last pulled clear from the long recession of the last few vears, a curious economic pessimism continues to grip the country. Policy-makers and markets seem mesmerised by the possibility that recovery might prove transl-

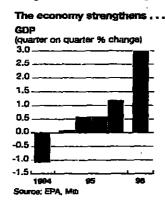
This mood has been sharply reflected on the Tokyo stock market - yesterday share prices continued their sharp fall of recent weeks, a decline that has taken them lower by 10 per cent in little over a month. Also yesterday the country's economic planning agency issued its monthly report and warned that the recovery was still only a mild one.

And nowhere is the uncertainty about economic prospects better illustrated than at the Bank of Japan. Since last September, the central bank has held the official discount rate at 0.5 per cent, its lowest ever level in an effort to jump-start the economy back into life. But even as the recovery appears to have taken hold the bank still seems strangely reluctant to adjust policy accord-

Yesterday, Mr Yasuo Matsushita, the bank's governor, again expressed scepticism about the strength of the recovery. "The economy remains on a recovery path." he said. "but the tempo is still only moderate."

On the surface this seems over-cautious. Since the

Japan's economy: uncertainty persists



bank cut rates last autumn, the economy has enjoyed something of a renaissance. In the space of a few months Japan has gone from the bottom of the growth league of the Group of Seven countries to the top. Independent economists expect output to grow this year by 3 per cent to the annualised ahead of its global rivals and rate of growth) the figure much faster than in any year was still almost unbelievably since the late 1980s. So what explains the nag-

ging uncertainty? The simple explanation is that most officials cannot quite believe their own statistics. The rate of growth in the first quarter of the year, the figure that is solely responsible for the dramatic improvement in prospects this year, was so spectacular that no one believes it can possibly be maintained.

grew at an annual rate of 12.7 per cent in the first three months of the year, the best quarterly performance since the 1970s. Even stripping out special statistical factors peculiar to the first quarter (the extra day from the leap year, for example, may have added as much as

Since the figure was so outlandish, it is clear the economy will slow down sharply in the rest of the year, but by how much? The specific concern

among policy-makers is that the jolt to demand delivered by the injection of more than Y14,000bn (\$131bn) of public works in the last year will gradually fade out over the next few months. In the first Gross domestic product quarter, public sector invest-

ment was a crucial factor in the growth spurt. The question on which economic conmuch of that demand is being transferred to the private sector?

Economists are now studying the evidence so far from the second quarter of the year to gauge the response of the other big components of domestic aggregate demand ~ private consumption and investment. There have so far been

personal consumption is rising. Wages and salaries have ended a long period of stagnation. Total pay per employee should rise by about 1.6 per cent in the course of 1996, according to Nomura Research Institute. But hopes for a consumer boom are probably misplaced. There is little evi-

figures suggest consumers are spending just over 72 per cent of their total disposable income, up slightly since the low point of last year but well below the figures seen in the high-rolling 1980s and early 1990s. And their reluctance to spend is likely to intensify next year, when

some encouraging signs that

the government raises national consumption tax from 3 per cent to 5 per cent. The outlook for the other big domestic component of demand - investment - also looks uncertain. In short, the evidence sug-

gests there is no clear case for confidence yet that, as the fiscal stimulus diminishes in the next year or so, the private sector is ready to growth

NEWS: INTERNATIONAL

Mars find gives science new life | Assad hits at

Discovery sparks hopes of fresh research and more funds, writes Daniel Green Israeli stance he odds against find- The rock itself has been or not life could have arisen. They could help find out. The mood at Nasa yestering intelligent life on identified as Martian even outside Earth to whether what allows life to start and day was one of barely dis-

other planets have fallen from 500-1 to 25-1. London bookmaker William Hill's response to news that US scientists have discovered what looks like a fossil in a piece of Martian rock seemed to be in line with that of many of the world's scientists who have hailed the discovery as the most compelling evidence yet that life is not unique to Earth.

Some called on governments and space agencies to spend more on space research. In particular, they called for expensive programmes to launch space probes that would travel to Mars and bring back more rock samples to try to confirm the discoveries.

Governments are likely to study closely the evidence presented before committing themselves to costly new space programmes.

What the scientists from the Johnson Space Centre in Texas, universities in California. South Carolina and Quebec, Canada, and the company Lockheed Martin believe they have found is a microscopic fossil. What they have actually seen is organic chemicals that have been embedded in shapes some bacteria on Earth.

though it is a meteorite collected from Antarctica in was thrown off the Martian surface millions of years ago by some kind of impact - the Viking probe 20 years ago discovered a Martian surface littered with debris. The rock would then have drifted through space before falling

The authors of the paper. to be published next week in the journal Science, admit that what they have found is not conclusive evidence that life, however primitive, ever existed on Mars. What it does is to change

Evidence uncovered by Nasa scientists of life on Mars

ously, the leading Mars scientist at the European Space

Agency warned yesterday,

Mr Marcello Coradini.

co-ordinator of solar system

mission at ESA, said the

rock containing what looks like a fossil could be from

Earth. While it was similar

to rocks examined 20 years

ago on Mars by the Viking

and how life could sustain itself and progress to more 1984. The theory is that it complex forms such as plants and animals. Science is moving to a

view that primitive life is possible in many hostile environments. Micro-organisms have been discovered on Earth. living in volcanic sulphur, for example. According to Mr Colin Pil-

FOSSIL 'COULD COME FROM EARTH'

say it came from Mars.

Any rock blown off the surface of Mars should have

been melted by the force of

the explosion. The liquid

rock would then have inter-

acted with the Martian

atmosphere, leaving signs

eject a piece of rock from

Mr Colin Pillinger, Gres-

Mars like this," he added.

"It is almost impossible to

that have not been seen.

linger, Gresham Professor of Astronomy at the UK's Open University, who has worked on fragments of the same meteorite that has yielded the fossil-like forms, studies must now be made on the environmental differences between Mars and Earth.

then either to be fostered or

All of which could help trigger a large diversion of towards Mars funds The budget for the Euro-

pean Space Agency is about \$3bn a year and Nasa's pro-posed 1997 budget is \$13.8bn. But these figures cover the entire spectrum of activities ranging from earth observation to zero-gravity experiments. The work on Mars comes from Nasa's \$1.8bn and ESA's \$400m space science budgets. Both budgets are under

continual scrutiny by their government paymasters.

at the Open University in

the same meteorite, said the

meteorite's gas content iden-

But the rock did not

appear to have stress fea-

tures and other marks con-

sistent with having been

blown off Mars' surface by

some kind of impact. "It is

truly one of the puzzling

pieces of evidence." Prof Pillinger added.

tified it as Martian.

space probe, there was not ham Professor of Astronomy enough physical evidence to at the Open University in

guised excitement that the

media excitement at the possibility of life on Mars would lead to a bigger budget.
It said that it relied on the public writing to their

Congresspeople" to push through budget incre That could happen quickly: the agency has submitted its 1997 budget but it has not yet been passed by Congress and could still be amended, said Nasa. The ESA too has been cool

on Mars projects, partly because of the expense involved in sending a probe. Mr Marcello Coradini, co-ordinator of solar system mission at ESA, said that two projects had been proposed since ESA pronounced its commitment to Mars research last year. Neither has received a go-ahead Now he hoped that projects would be given a more sympathetic hearing.

If budgets were increased many companies especially in the defence sector, could benefit. The makers of components for and assembly of space rockets are usually from the defence sector. They include Lockheed Martin. TRW and Hughes in the US, and Matra and British Aerospace in Europe. Editorial Comment, Page 11

President Hafez al-Assad of Syria said yesterday there was nothing in Israel's so-called "Lebanon first" proposal that gave "hope that peace is coming".

The Syrian leader met Egypt's president, Mr Hosni Mubarak, in Alexandria where they discussed Israel's attempt to draw Syria back into the stalled Middle East peace process. They both agreed that the Lebanese and Syrian peace "tracks" with Israel should not be separated, but "both should go parallel together".

Last week Israel's prime minister, Mr Benjamin Netanyahu, outlined terms for a withdrawal of Israeli troops from southern Lebanon, where Israeli forces have held a "security zone" since 1978, "as a first step to peace with Syria". Syria, the main power broker in Lebanon with 35,000 troops on the ground, rejected the offer.

An official close to the talks in Alexandria yesterday described the Israeli pro-posal as a "non-starter". The Syrians see the latest Israeli move as a trap, comparing it with the "Gaza first" agree-ment the Palestinians signed in 1993. This led to establish-

ment of a Palestinian authority in Gaza and parts of the West Bank, which Mr Assad believes gave Israel a great advantage to stall on further concessions. If they agreed to the Lebanon first proposal, the belief is this would result in indefinite postponement of the Syrian-Israeli talks over the Golan Heights, which the new Israeli prime minister has

vowed not to give up. Mr Assad said the new Israeli government was mak-ing a mistake in disregarding long years of effort that went into launching the 1991 Madrid conference, where the "land for peace" princi-ple was adopted by all sides. He said: "Netanyahu speaks with slogans that challenge the world, and makes light of the minds of the public

There is concern in Lebanon that, despite the refusal of the recent proposal, Israel may conduct a sudden and uncoordinated unilateral withdrawal. This could lead to blood-

shed similar to that in 1984 when Israeli forces, follow ing their invasion in 1982. withdrew from Beirut. This allowed Syria's leftist and Moslem allies to crush their Christian adversaries.

Crime prompts

Rising crime, which prompts children to play indoors rather than outdoors, and the expansion of developing economies should trigger significant growth in global toy sales until the end of the century.

A study* of the toy market

published today by the Euromonitor research consultancy predicts that global sales will grow by 16 per cent from \$68.01bn this year to \$78.89bn in the year 2000. Toy sales showed healthy growth during the first half of the 1990s, increasing by 31 per cent to \$66.1bn in the five years to 1995. A prime catalyst was the growth of the video games sector. where sales rose by more than 60 per cent to \$21bn

during the same period.

However, the toy market is still dominated by the US, which accounted for \$27.3bn. or 41 per cent of worldwide sales, last year, and Japan, with \$10bn or 15 per cent Germany, France and the UK represented \$3.8bn. \$3.4bn and \$2.6bn respectively; but most other national markets were relatively small

Toy sales are starting to take off in expanding economies, such as Sonth Korea. Taiwan, Brazil and Argentina. These markets are still small, but local manufacturers are emerging, although piracy is a problem for video Euromonitor forecasts con-

tinued growth from these countries over the next few years, which should counter the sluggish state of established markets, where sales growth will be limited by the static birth rate.

Another negative factor for toy sales is that the age at which children stop playing with toys has fallen to around 10 years old. Even video games appear to be losing popularity among teenagers.

& Games, Euromomitor, 60-61 Britton Street, London ECIM

Aid is first victim of Burundi boycott

East African leaders trying to stop the slaughter in Burundi are becoming aware of the hazards of imposing economic sanctions: difficult to enforce, clumsy to apply and all too liable to trigger the opposite of what was

Last week's decision by seven African nations to slap a blockade on Burundi following a putsch by the army took many western countries, still making tentative overtures to new Tutsi strongman Major Pierre Buyoya, by surprise.

But if previous African experiences are anything to protracted and complex exer- ants displaced by violence in that are notionally closed

cise which could exacerbate tensions between the Tutsidominated army and Hutu rebels. "To be effective, sanctions have to be limited and very targeted and their effect easily measurable," said a British aid official. "We have none of that here."

The blockade has already claimed an unforeseen casualty - humanitarian aid. The United Nations yesterday appealed to Kenyan and Tanzanian authorities to let through food for 300,000 refugees after World Food Programme (WFP) trucks were stopped at the border and an aid flight refused permission

to land in Kenya. Ironically, much of this aid go by it may prove a is destined for Hutu peas-

the countryside - precisely the people the East African leaders most want to help. "We still don't know if this is a mistake or not, but if sanctions include aid, then we're hitting the part of the population we most want to support." said Ms Brenda

Barton, WFP spokeswoman. Burundi's land-locked situation, its reliance on imports of fuel and its dependence on exports of coffee and tea for foreign exchange make its already crisis-hit economy far more vulnerable to a blockade than many other African nations.

But the fact that thousands of frightened Hutus continue to cross borders with Zaire and Tanzania

The case of South Africa, in which even a universally endorsed sanctions policy proved to have loopholes, has also shown the importance of presenting a united front. With Burundi, it is already clear the sea, air, rail and road blockade imposed by first Tanzania, then Kenya and now Uganda rity assistance". That will be pocked with holes. Major Paul Kagame, Tutsi vice-president of neighbouring Rwanda, yesterday ruled out an immediate blockade, offering an alternative, if

clumsy, route to Burundi. He was promptly contradicted Even if sanctions are con- arms supplies will also

sistently applied, conditions encourage a feeling that the

highlights how porous these set by the East Africans for frontiers really are. set by the East Africans for a lifting of the blockade are so high they may encourage a siege mentality rather than a spirit of compromise among the Tutsi elite. Major Buyoya has been

told to reverse a ban on political parties, restore the national assembly and abide by his Hutu predecessor's request for external "securequest was viewed by the Tutsis as a covert demand for foreign forces to neutralise the army and triggered last month's coup. It is unlikely to be renewed. Awareness in Burundi that Hutu rebels based in Zaire continue to receive



unfairly punished, say This can only strengthen

the position of hardliners such as Colonel Jean-Baptiste Bagaza, raising the

tercoup. Already the new president is looking weaker than immediately after the coup, having failed to recruit a single mainstream Hutu



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* The World Market for Togs

We favour free competition In the air torself.



A market needs balance.

Are you aware that every day European governments pour over \$6 million of taxpayers' money into the coffers of struggling airlines, thus enabling them to flood the market with dumping prices? Jürgen Weber, Chairman of the Lufthansa Executive Board, comments: "This conduct is unfair because it flagrantly violates the code by which subsidies are granted namely as 'one-time' restructuring assistance, which may not be used to finance price dumping activities. However, this is exactly what has happened. Prices have dropped by thirty, even fifty percent - in some cases to compensate

for the disadvantage of detours via foreign hubs for passengers and airfreight shippers. Then there are airlines which although posting tosses - submit unrealistic bids for public contracts in order to maintain their cash flow." Yet, despite these patently unfair conditions, those airlines which are wholly or for the most part privatised - such as British Airways, SAS and Lufthansaoperate at a profit, while state-owned European carriers are in the red. In the long run, however, we can only remain competitive by rigorously con-

trolling costs, while further improving the

quality of our services and investing in technical innovations.

Together with our alliance partners, we feel well prepared for the third stage of liberalisation in European aviation. However, full traffic rights for all must also mean equal opportunities and obligations for all. That is why we are firmly committed to an open market with no government subsidies. In brief, to a balance in European air traffic.



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Pilm star dies

Crime

prompts

toy boom

global

Part of Letters (1994)

NEWS: WORLD TRADE

WORLD TRADE NEWS DIGEST

Toyoda and TI weigh venture

Toyoda Automatic Loom Works, a core company of the Toyota group, and Texas Instruments of the US are expected to announce a joint venture to produce advanced reneration semiconductor chips in Japan for use mainly by the Toyota group of vehicle manufacturing companies. The joint venture agreement, which was reported by the Nihon Keizai Shimbun, Japan's financial daily. was neither confirmed nor denied by Toyoda or Texas Instruments. "We have not made that announcement," Texas Instruments in Tokyo said yesterday.

However, the deal, expected to result in a semiconductor manufacturing facility to produce advanced 256-megabit dynamic random access memory chips from 1999, would benefit both companies. TI, which has successfully built a number of partnerships in semiconductor production, would benefit from the Toyota group's substantial financial resources while the Toyota group could use its surplus funds to move into a new business which could provide it with future growth. A new semiconductor facility is believed to cost between \$1bn to \$1.5bn to build. Michigo Nakamoto, Tokyo

Manila cement plant setback

The Philippine government yesterday refused to issue a licence for a \$600m cement plant north of Manila on ecological grounds.

The decision to reject the plant, a joint venture between Marubeni of Japan and Tuntex of Taiwan, is the latest in a series of recent decisions by the government heralding : much stricter interpretation of the country's existing environmental regulations. Officials said the plant, with a capacity of 3.2m tonnes of cement a year, would have damaged local marine and eco-systems even though it had planned to install the most up-to-date "dry process

Mr Victor Ramos, who has been credited with initiating the government's stronger environmental line since his appointment as secretary of state for the environment 12 months ago, said that Marubeni and Tuntex would be permitted to look for a site elsewhere in the Philippines.

Government officials are also preparing an assessment of a proposed \$500m cement plant in Palawan, the country's westernmost island, if accepted, the consortium led by Fenway Resources of Canada, would invest in doubling the island's meagre power capacity and provide

Saudi-Japan loan accord

Saudi Methanol Company (AR-Razi), a joint venture affiliate of Saudi Basic Industries Corporation (Sabic) and a consortium of Japanese companies, yesterday signed a \$160m loan agreement with the Export-Import Bank of Japan (Jexim) to finance its expansion programme.

The loan will fund the construction of an 850,000 metric tonnes a year (mt/y) chemical grade methanol plant at the AR-Razi complex in Al-Jubail Industrial City. Ar-Razi is the largest single complex chemical grade methanol producer in the world, with its existing two plants producing L4m tonnes a year. AR-Razi signed a construction, engineering and procurement contract with Mitsubishi Heavy Industries of Japan last April for the new plant. The new plant will also use Mitsubishi Gas Chemical Company's production technology and is scheduled to come on stream in mid-1997. AR-Razi's methanol is currently exported to Japan, the US, Europe. Sean Evers, Cairo and south-east Asian countries.

Antagonists queue for WTO judgment

Frances Williams on a vote of confidence in the trade body's capacity to settle disputes

isation last week, was the 51st trade squabble to be brought to the WTO for arbitration since its creation in

January last year. The number of WTO disputes - there have been 26 this year - compares with 196 cases handled by its predecessor, the General Agreement on Tariffs and Trade, over nearly half a century. This represents an important vote of confidence in the WTO's strengthened dispute settlement procedures. From the outset the sys-tem for handling disputes the WTO its row with Japan

has been seen as critical to the new organisation's credibility as a world trade policeman. Though some key provisions have yet to be tested. the general verdict after 18 months is that the system is working as intended.

Countries can no longer block the establishment of panels or ignore their findings as they could under Gatt. They may appeal against a panel ruling but the decision of the appeal body is final. Every stage of the process is subject to strict time limits and countries that refuse to comply with WTO judgments face authorised trade sanctions.

The top four traders - the US, EU, Japan and Canada continue to dominate the dispute settlement process. with one or more involved in 43 cases as either a complainant or a defendant. But, encouraged by the nature of the WTO system, including the right of redress, developing countries are making much more use of dispute settlement procedures than they did under Gatt. They have launched 21 complaints, including six against the US and six against the EU, as well as several among themselves.

Another factor encouraging WTO complaints has been the organisation's more comprehensive remit. New or clearer rules on agricul-ture, food safety, textiles,

complaint intellectual property and seragainst Brazil's import vices have already produced regime for cars, lodged a number of complaints that with the World Trade Organ could not have been handled by Gatt. Moreover, all the WTO's 123 members are now. covered by rules on antidumping actions and subsidies, previously confined to

voluntary Gatt codes. The backing of the leading filed since the beginning of trade powers has also been crucial. There were fears initially that the US, in particular, might undermine the system by continuing to rely on unilateral trade measures when it suited, or by refusing to accept WTO verdicts.

These fears were over imports of cars and car parts, which was eventually settled bilaterally. Since then, however, the US has gone largely by the multilateral book. In June Washington filed a WTO complaint against Japan over restrictions in the Japanese photofilm market.

The US has in fact been the biggest user of the WTO dispute settlement system, bringing 18 complaints on everything from food inspec Korea to taxation of foreign film revenues in Turkey.

It has also been a surprisingly sporting loser, agreeing without fuss to implement a judgment against it on discriminatory anti-pollution regulations for petrol imports after an unsuccess ful appeal.

In a dispute with India over textile import quotas, the US rescinded the quotas before a panel could start work. And last month Washington pre-empted establishment of a panel by revoking punitive tariffs on EU food and drink exports imposed in 1988 in retaliation for the EU's ban on hormonetreated meat.

The move makes unnecessary a WTO challenge to unilateral trade action under Section 301 of US trade law, which the US would almost certainly lose, but also reflects US confidence that its WTO complaint against the EU's hormone ban will be upheld when the panel before coming to a deal with reports later this year. easyJet

By Michiyo Nakamoto

in Tokyo and Jonathan

Toyota, Japan's largest

carmaker, is to invest \$150m

in a new production facility

in Brazil despite a continu-

ing row between the two

countries over Brazil's car

Japan claims the policy breaches international trade

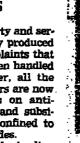
rules and Tokyo has filed a

complaint against Brazil

with the World Trade Organ-

isation contending that the policy favours vehicle manu-

facturers based in Brazil



Disputes at consultation stage

(Daty of 18mg)

Australias tran on salmon imports:
compliant by Canada (October 1985) and
US (Negleonber 1995). Turkey startile import duties: complaints by

Hong Cong (February 1998), India (March 1996) india mailand (June 1996). Hungain's term export subsidies complaint by Argentifina, Australia, Canada, New Zealand, Tipaland and US (March 1996). Paktalent in patent rules; complaint by US (April 1995). Similar US complaint against India (1995).

Portugat a patent rules: complaint by US (April 1999).

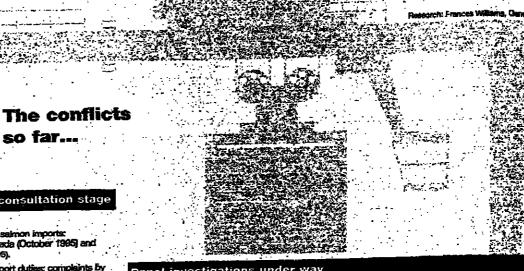
US legislation tightening accromic embargo on Cube somplaint by EU (May 1996).

South Roman telecoms procurement: completing EU (May 1996). South Roman Inspection procedures for agricultural products: complaint by US (May 1996; galler complaint filed April 1995).

1996; gittler complaint filed April 1995). Luck of Tepenese copyright protection for pre-1971 sound recordings: complaint by EU May 1996; earlier complaints by EU and Taxation of foreign film revenues: complaint by US (June 1996).

Restrictions in Japanese photo-film market: complaint by US (June 1996). Japan's retail distribution system: complaint by US (June 1996). Brazil's export subsidies for aircraft. complaint by Canada (June 1996). US anti-dumping probe on tomatoes complaint by Mexico (July 1996). Brazil's car import regime: complaint by Japan (July 1996).

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Panel investigations under way (Date established)

e liquor taxes: complaint by EU; Canada and US (October 1985). Panel report upholding complaint completed June

Brazzar anti-subsidy duties on desicos coconut: complaint by the Philippines: (March 1996). Sri Lanka filed separate complaint (Fébruary 1996). US import quotes on underweer, compl US import quotes on wool shirts what blouses: complaint by India (April: 1395). ELI banana import regime: complaint Gusternala, Ecuador, Honduras, Mariand US (May 1996). An earlier comple was filed in September 1995. EU ben on hormone-treated beet compleint by US (May 1996). Canada filed a separate complaint (June 499) Canadian restrictions on imported magazines: complaint by US (June 1996).

Disputes settled

hy Costa Rica (March 1996).

US pollution standards for patrol: complaints by Venezuela and Brazil upheld

Malaysian restrictions on petrochemical imports: complaint by Singapore withdraw South Korea's rules on shelf-life for food

products: complaint by US withdrawn after Japanese telecoms procurament: completet by EU suspended. Threat of US puritive sanctions, complaint by Japan

withdrawn after car dispute settled. EU labelling regulations for scalloos: settlement reached with Canada, Peru and Chile after panel upheld their complaints.

EU duties on cereal imports: complaints by Canada, US, Thailand and Uroguey suspended after settlement.

Poland's car import regime: complaint by India withdrawn after settlement. South Koree's rules on bottled water: complaint by Canada withdrawn after "settlement.

enezuelan anti-dumping probe on tubular goods: complaint by Mexico suspended after settlement. US import quotes on women's and girls' wool coats: complaint by India withdraw

US punitive tariffs in beef hormone dispute: complaint by EU suspended

would start manufacturing nese market, where Toyota

will be able to take advan- more aggressively overseas,

A feature of the WTO's dispute mechanism has been success in encouraging settlement of trade arguments at an early stage. Nine cases have been formally withdrawn, and a few others have been settled "out of court". In most of these the dispute was resolved during the 60-day consultation period, though the EU that too many cases could waited for an unfavourable panel report on its labelling regulations for scallons

conditions and growth pros-

pects, rather than the Brazil-

adopted car trade policy.
The new facility, which

will be Toyota's second in

Brazil, will be located in São

Paulo and will produce the

Corolla medium-sized pas-

senger car from the end of

1998. Initial production capacity will be 15,000 units

per year but is expected to

increase with the develop-ment of the regional car

ian government's recently to 35 per cent. Japanese

have

operations there.

Seven cases are currently being examined by panels while three complaints against Japan's discriminatory liquor taxes were upheld by a panel that reported in June. Japan is considering an appeal. Thirty more disputes are in the consultation phase. Pitfalls remain. There are fears overload the system, especially at the appeals stage. There is also concern over compliance. Rules on the

Toyota to build \$150m plant in Brazil

tariffs on finished vehicles

from as much as 70 per cent

trade and industry officials

say the policy benefits US manufacturers which have

been based in Brazil for

many years but discrimi-

nates against Japanese com-

panies, most of which do not

Toyota is the only Japa-

nese vehicle maker operat-

ing in Brazil, producing

small numbers of its Ran-

manufacturing

reasonable period of time". The system has also yet to confront the more politically sensitive disputes. The first test is likely to be the expected panel ruling against the EU's hormone ban, where Brussels may try to offer

prohibition.

passenger cars in Brazil

Neither Toyota nor Honda

tage of the new policy. Local

content for Brazilian-made

Corollas will initially be just

45 per cent and the company

does not plan to export the

cars right away. Honda also

expects it will take some

time before its facility can

meet the Brazilian govern-

ment's requirements to qual-

Nevertheless, the pros-

pects for growth in the Bra-

zilian car market encour-

ify for preferential tariffs.

compensation to the US and

others rather than lift the

vague, specifying only that in Cuba could prove even countries should implement more controversial. The EU WTO judgments within a has hesitated to push the dispute to a panel because success is by no means assured, with the US planning to invoke the broad "national security" exception in WTO rules.

But another reason for that hesitation is the fear of winning and the damage that could be inflicted on the WTO's credibility if - as The EU's complaint seems all too probable - the against the new US law US refused to comply with

has seen its market share

slip recently, has forced the

leading carmaker to expand

particularly in developing

for growth are better

markets where the prospects

Toyota's market share in

Brazil has been limited, with

sales last year totalling

12.879 units in an overall

market of 1.73m units. In the

first half of this year, its

sales in Brazil plummetted

73 per cent to 2,460 units due

to the impact of the Brazil-

ian government's trade pol-

Finance Director's Dream Ticket



easyJet





Polski Bank Rozwoju S.A. POLISH DEVELOPMENT BANK

The Management Board of Polski Bank Rozwoju S.A. -Polish Development Bank in Warsaw, Poland hereby informs that pursuant to Art. 393 § 1 of the Commercial Code

and § 29 of the Company's Charter it convenes the Extraordinary General Meeting of Shareholders to take place on 20 August 1996 at 13.00 in Warsaw at 5 Plac Trzech Krzyzy in the Conference Rooms 140 A and B (1st floor) of the Central Planning Office Building with the following Meeting Agenda:

- 1) Opening and appointment of the chairman:
- 2) Establishment of validity of the meeting:
- 3) Appointment of the returning (vote counting) committee;
- 4) Adoption of a resolution on the consolidated financial statements in respect of
- Adoption of a resolution on changes to the bank's Charter;
- 6) Adoption of a resolution changing the resolution of the General Meeting of Shareholders no. 4 on bond issues from 22nd March, 1991:
- 7) Conclusion of the Meeting.

Management Board Polski Bank Rozwoju S.A. Polish Development Bank

over those which do not Under Brazil's policy, mandeirante utility vehicle at a ufacturers with local content have manufacturing faciliplant near São Paulo. Late of over 60 per cent and last year, just weeks before Chrysler considers Renault to

market, Toyota said.

Philippine base

Chrysler, the US car manufacturer, is considering the Philippines among other possible sites for a \$500m-\$750m car assembly and components plant which would act as a base for exports to south-east Asia,

according to Philippine officials.

The Philippine government, which earlier this year suffered a setback when General Motors of the US opted for Thailand instead of the Philippines for a \$750m plant, said Chrysler executives had recently visited Manila to discuss the possibility with senior ministers.

The Detroit-based company, which already assembles cars in Thailand and distributes Jeep Cherokee and Dodge Caravan models in the region, would assemble estate cars for export. Ministers said Chrysler was also studying the viability of opening a new plant in Thailand. the largest base for foreign car assemblers in south-east Asia.

"It is very early days for Chrysler at the moment but we are keen to become a regional car manufacturing base and have not allowed the General Motors decision to dishearten us," said Mr Meilito Salazar, under-secretary of trade and industry. "We have told Chrysler that the incentives we offered to GM are available to all potential inves-

The list of incentives offered by Manila to GM, which, owing to their versy in the Philippines, included a

four- to six-year income tax holiday, rent-free land for five years, unspecified government investment in road infrastructure and a \$30m subsidy for training.

The Philippine government is also negotiating with the Manila-based Asian Institute of Management to set up a vehicle management train-ing school designed to aid potential

Manila is offering the same generous incentives as were extended to GM

General Motors, which said it chose Thailand over the Philippines because of its superior infrastructure and car manufacturing skills base, has also pledged to invest in smaller vehicle components plants in the Philippines over the next 12 months. Officials say Ford of the US is also looking at possible sites in the Philippines,

The Philippine market, with 152,000 vehicle sales last year, is less than one-third the size of that in Thailand.

Four Japanese companies, Honda, Toyota, Mitsubishi and Isuzu have assembly plants in the Philippines. Proton Philippines, the local arm of the Malaysia car company, is setting up an assembly plant north of generosity, sparked some contro- Manila with a capacity of 30,000

invest \$362m in Turkey

Toyota said yesterday its which balance exports of the Brazilian government aged both companies to decision to manufacture in vehicles with imports of unveiled its new policy, invest in Brazil At the same Brazil stemmed from market parts, will be able to reduce Honda announced that it time, saturation of the Japa-

from 1997.

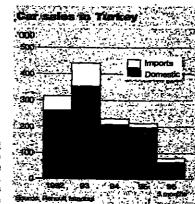
By John Barham in Ankara

Renault, France's state-owned carmaker, will invest \$362m (£235m) to build its Mégane range of estate cars in Turkey. Mr Ufuk Söylemez, state minister, said Renault has applied for authorisation to make the investment which should create 1,100 jobs and described it as the biggest investment in Turkey since the customs union with the European Union in January.

Renault, Turkey's second manufacturer, holds about one-third of the market, after Tofas, an affiliate of Italy's Fiat. Both companies had already announced large investment programmes to introduce new models, modernise their Turkish factories and increase capacity.

Renault's decision to invest is an important gesture of confidence in Turkey, following the appointment in June of an Islamist-led coalition government. Mr Jacques Chauvet, Renault general manager, warned recently of the importance of maintaining "stability of the rules of the game. You need some visibility when you invest hundreds of mil-lions of dollars."

He and other local car industry executives have watched with unease the rising investment by Asian competitors in Turkey. Toyota began producing Corollas in 1994. Honda is to begin making 30,000 Civics a year. Mazda is reportedly seeking a Turkish partner. Suzuki plans



Mr Chauvet said: "We are not afraid of competition, but it must be fair". He complained of alleged pressure by Japan and South Korea on Turkey to waive tax, import duties and local content rules. Customs union has made Turkey an attractive manufacturing base with free access to the EU and low wage costs. Companies can only export to EU markets after attaining minimum local content levels.

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Analysts say production capacity could rise nearly two-thirds to 800,000 units a year if all planned investments proceed. Domestic sales have slumped to 200,000 units annually, with exports accounting for a small but rising proportion of out-put. Executives believe the downturn is temporary, caused by political uncertainty and a volatile

when Turks bought 441,600 cars, though sales did rise 11 per cent in

a \$100m light commercial vehicle

plant for 1997. South Korean companies are also considering investing in Turkey.

Demand has halved since 1993 January-May to 80,962 units.

しは日本で、売れル、売れル。オペル。

For the benefit of those whose Japanese may be less than fluent, our headline reads: "Opel sales are jumping in Japan." And they have been for the past three years. We've produced well over 100,000 Opel cars for this competitive market, one of the growing number of markets, worldwide, where we are constantly increasing the supply to meet demand.

it in Brazi

Opel was Japan's Number One imported car brand in June, thanks to burgeoning sales of the Vectra and Corsa. For the first half of the year, Opel, and its partner in Japan, Yanase, increased new car registrations by 36%. By the year 2000 we expect to sell 80,000 cars annually in Japan, two-and-a-half times more than in 1995.

What this performance tells us is that the Japanese – probably the world's most quality conscious (and demanding) consumers – are favorably impressed by Opel products. And equally important, that our ambitious goals for

Japan and the rest of the booming Asian-Pacific region are within reach.

So the next time you see an Opel headline in Japanese, Chinese, Malaysian, Indonesian or Thai, it won't all be Greek to you.



UK NEWS DIGEST

Trivial Harry Trivial

Apocal

Central bank urges interest rate rise

By Robert Chote in London

Mr Kenneth Clarke, the chancellor, will have to raise interest rates and cut government borrowing if he is serious about hitting his accelerating, the Bank expects the inflation target, the Bank of England warned yesterday.

In its latest quarterly inflation Report, the Bank said Mr Clarke had only about a 40 per cent chance of hitting his inflation target in two years without a rise in interest rates. It said the odds had worsened since its last report,

worried by the deterioration in public finances revealed in the Treasury's summer forecast.

With domestic spending already pace of economic growth to rise above its long-run trend of through the rest of this year and into 1997. As a result the economy's spare capacity will be eroded and inflation should rise from the middle of next year.

Mr Mervyn King, the Bank's about pre-emptive rate incre

largely because the chancellor cut chief economist, said the question rates in June. The Bank is also to be asked in the coming months was no longer whether interest rates should be raised, but when. There is certainly a case to be considered for making a rate rise sooner rather than later," Mr King argued. "The longer you leave it the more and faster you will have to raise rates later.

> However, the Bank's tone alarmed business groups. The Confederation of British Industry and the British Chambers of Commerce both said it was too early to talk

spectre of further disagreement over interest rates between the chancellor and Mr Eddie George, the governor of the Bank. An escalating row between the two could put the pound under pressure on the foreign exchanges, but yesterday sterling strengthened on growing expectations that rates will rise by the end of the year.

Some of Mr Clarke's political allies would like to see another cut in rates to help narrow the opposition Labour party's opinion poll

The Bank expects the underlying rate of inflation - which excludes mortgage interest payments - to fall from 2.8 per cent to 2.5 per cent or below later this year and 2.25 per cent in mid-1997.

It believes inflation may be lower if export markets remain sluggish and companies continue running down stocks of unsold goods. But inflation should then start rising as the economy gathers momentum

walls sealed to

avoid trouble

Editorial Comment, Page 11

Unions in fight to save last deep mine

By Kenneth Gooding, Mining Correspondent

Desperate efforts were being made by mining unions last night to save the last deep coal mine in north Wales. RJB Mining, which acquired the mine from British Coal 19 months ago, said it had been approached by union representatives suggesting an employee buy-out of the Point of Ayr colliery near Talacre

RJB told its employees that Point of Ayr had suffered losses of nearly £5m (\$7.8m) since it was acquired and it must close immedi-

RJB advised the unions to be very cautious about making an offer for the mine. The company had concluded Point of Ayr ever making a lands or Yorkshire or redun-

By Ralph Atkins,

ranging revamp.

insurance Correspondent

Lloyd's of London yesterday

responded to complaints

about its disciplinary proce-

dures by announcing a wide-

"fixed penalty" system and a



Miners at Point of Ayr Colliery clock off yesterday after RJB announced closure plans

sustained profit. However, it dancy. Mr Bill Rowell, manthe mine and its equipment. The unions calculate that redundancy payments for the 200 employees at Point of Ayr would be more than twice that sum.

RJB had said it would The company had concluded offer employees a transfer to there was no prospect of other collieries in the Mid-

offences at the market but

The reforms follow criti-

cism last year by the House

of Commons' Treasury com-

mittee and were described

by Lloyd's as "the most

Mr David Rowland,

have since left.

Lloyd's in discipline overhaul

said that it would be willing aging director of deep mines to accept £1.2m (\$1.86m) for RJB, said: "The loss-making results are a poor reward for an experienced and skilled workforce who we will be happy to assist with a move to more productive

British Coal spent £4.5m in an attempt to improve the prospect of economic working at Point of Ayr.

comprehensive in its scope

the announcement earlier

this year of a scheme for the

compulsory individual regis-

tration of market practitio-

ners, which is expected to lead to a significant number

of exclusions from the 300-

year old insurance market.

system more akin to those of

other City regulators. The

objective of recent reforms

Lloyd's aim is to move to a

The latest changes follow

and swifter."

output was 313,000 tonnes of coal and another 177,000 tonnes was produced in the first seven months of 1996. RJB planned to restore the surface site at Point of Ayr and, subject to planning con-

sent, make it available for alternative industrial development and job creation. shares

Yesterday's changes widen

the number of offences

which could lead to disci-

plinary proceedings. There

will also be more scope for

"out-of-court" settlements.

For less serious offences

there will be summary pro-

ceedings based on written

evidence and submission. In

addition, there will be a

"fixed penalty" system com-

parable to the system for

motoring offences.

compromise is found. "My purpose in making this order is to assist the RUC (Northern Ireland's police force] in its task of preserving public order and protecting the community in the coming days and is not intended to favour any side in the current dispute." Sir Patrick said.

night moved to head off seri-

ous sectarian unrest in

Northern Ireland, sealing off

a stretch of Londonderry's city walls which overlooks

the Catholic Bogside area,

where the protestant

Apprentice Boys plan to

In a move calculated to

head off a confrontation

between marchers and local

nationalist protestors, Sir

ern Ireland secretary

announced that a quarter-

mile section of the historic

walls would be closed off

from 6pm last night until the

end of the month, unless a

Patrick Mayhew, the North-

march on Saturday.

Unionists accused the government of succumbing to nationalist threats.

Mr Gregory Campbell, a Democratic Unionist councillor and a member of Apprentice Boys, said: "There is no way I would recommend that we should accept this. It gives offence to no-one (to march] at 9am on a Saturday morning. If people expect us to just lie down and walk at the city wall.

to happen.' The move follows a week

of unsuccessful negotiations between the Apprentice Boys and The Bogside Residents' Association, chaired by local MP Mr John Hume, the SDLP leader. It comes against a backdrop of heightened sectarian tensions following clashes last month in Portadown.

Sir Patrick said the decision was taken on the advice of the Chief Constable Sir Hugh Annesley. Sir Hugh said he "would

have had to have something like 200 officers on a 24-hour basis covering that wall". The Association had last night still to issue any state-

An official said: "We don't want to say anything that would inflame the situation." Nationalists still plan to march tomorrow night. Last night, police and soldiers moved barbed wire and

concrete bollards to block access to the section of the walls between Magazine Gate and Bishop Gate. The central Diamond area of the city was jammed with army lorries carrying huge breeze blocks, razor wire and scaffolding pipes.

The entrance from the commercial area of the city to the Catholic Bogside area was sealed by RUC Land Rovers. Shortly before 6pm RUC officers armed with semi-automatic rifles arrived

Electricity rules tightened

The electricity regulator yesterday revealed plans to take sweeping new powers to ensure that electricity companies do not hold up the proposed liberalisation of the consumer market in 1998. Professor Stephen Littlechild was reacting to claims

that some power companies may deliberately be trying to delay arrangements for April 1998 in the hope of postponing the advent of full-blown competition.

He was also responding to criticism from electricity companies that he has so far failed to give the industry

the necessary leadership in preparing for 1993. Mr Littlechild's proposed measures are contained in the draft licences and codes for the industry which he published yesterday after weeks of consultation based on pre-vious drafts published in April. Stefan Waystyl, London

ETHNIC MINORITIES

British society 'is diversifying' If you were a 22-year-old woman of Bangladeshi origin liv

ing in Britain you would probably be married already, but if you were of Caribbean descent you would almost certainly not. Either way, the odds are you would both be gazing enviously from your council house at the family of Indian origin across the road doing up their newly purhased house.

If you were black, you should also consider putting an extra lock on the door before you leave because it would be twice as likely your residence would be burgled before you returned. Vehicle theft is less of a problem, because unlike most whites, and those of Asian and Chinese origin, you would probably not own a car.
The report, published yesterday by the Office of

National Statistics makes clear that minorities are increasing not only in size but also diversity as they become a more integral part of British society. Britain currently has 3.2m inhabitants from ethnic minorities. Marks Suzman, London

RAIL PRIVATISATION

French set for second franchise

CGEA, a subsidiary of France's Compagnie Générale des Eaux conglomerate, is set to win its second franchise to operate a British train operating company after emerging as the preferred bidder for the South Eastern franchise. South Eastern, which operates services to Kent, Surrey and Sussex from six large London stations, is one of the biggest operating companies to be franchised so far from the former state-owned British Rail and takes to nine the number of franchises awarded. South Eastern employs

more than 4,000 staff and had passenger revenues of £315 million in 1994-95. The likely award gives CGEA two contiguous franchises serving London and the south-east, although the rules state that they must be run Haig Simonian, London

TUBE STRIKE

'Capital's reputation damaged'

Yesterday's 24-hour Tube strike brought almost a total shutdown of the underground system and heavy traffic congestion to London. With no sign of any progress in resolving the Tube dis-

pute, Mr Brian Mawhinney, the Conservative party chair-man, said the drivers were "trying to hold London to ransom" but he added they would not succeed. He warned they were also damaging London's reputation as an international finance, business and tourist centre. The next 24hour stoppage on London Tubes is scheduled for next Tuesday, August 13. Each day's disruption is estimated to be costing London

Underground alone £2.5m (\$3.9m). Robert Taylor, London

LONG-TERM CARE

Government plans 'alarmist'

A parliamentary committee yesterday dismissed talk of a crisis in long-term care funding as "alarmist" and attacked government proposals to develop partnership schemes in long-term care insurance for not being properly costed.

The findings are a blow to the government, which has announced plans to introduce insurance schemes allowing individuals to protect a portion of their assets if they

■ GUERNSEY

Queen may be court defendant

Guernsey's Royal Court will decide on Friday whether Queen Elizabeth can become a defendant in an action brought by Britain's wealthiest twins, Mr David and Mr Frederick Barclay.

The brothers, former painters and decorators whose personal fortune is now estimated to be at least £650m. have just moved into their new home - a Gothic-style castle on the tiny Channel Island of Brecqhou. In a complex case concerning land ownership, the brothers are questioning the payment of feudal dues to the Queen for the purchase of the castle.

GAS

Progress on 'take-or-pay' dispute The first signs of progress are appearing in the bitter,

£40bn "take-or-pay" contract battle between British Gas and some of the largest North Sea oil and gas producers. One big producer yesterday characterised the latest round of talks as "encouraging," and said that contacts between the two sides were being stepped up. But he denied that a deal had already been done. British Gas is thought to be particularly keen to com-

plete deals with some of its main suppliers, such as British Petroleum and Shell. British Gas claims that the highpriced life of field contracts are a legacy of the monopoly era, and put it at a severe disadvantage in Britain's new competitive gas market.

Robert Corzine, London

Landowners seek EU aid for grouse moors

nging revamp. far-reaching overhaul since
New measures include a the 1982 Lloyd's Act.

new disciplinary board Lloyd's chairman, said: "We

chaired by an outsider. have been criticised in the

Lloyd's also plans to take past for the slowness of our

action in future against disciplinary procedures. This

those who have committed new regime will be more

By James Buxton in Edinburgh

landowners yesterday urged the European Union to give financial help to operators of grouse moors. They brandished figures which showed the disastrous economics of running these traditional playgrounds of the rich. Because of several poor

years for grouse. Scottish grouse moors lost an estimated £10.6m (\$16.53m) in 1994 (the latest date for which figures are available) on turnover of only £3m. The lack of birds meant a fall in revenue from charging people for grouse shooting, with many moors hav-ing no days of paid shooting in 1994. Expenditure by grouse moors, primarily on staff, rose 44 per cent from £9.5m to £13.7m between 1989 and 1994.

Mr Graeme Gordon, convener of the Scottish Landowners Federation, representing owners of 75 per cent of Scotland's privately owned land, said a study by Mr James McGilvray of the University of Strathclyde indicated that revenues from grouse shooting in Scotland declined in real terms by 60 per cent between 1989 and 1994.

fits to Scotland and make an important contribution to conservation management in the uplands, the landown-

The federation is lobbying decline in full-time jobs.

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for grouse moors and other sporting estates to be made eligible for EU regional development grants. Ultimately such land should be brought under a restructured Common Agricultural The federation has been

pressing the UK government and the European Commission to bring forms of land use other than agriculture into the Cap. This would entail a switch from subsidising livestock and crops to giving support on the basis of the acreage under management, with the aim of rewarding "responsible land use" such as forestry and conducting sporting

Ironically, the plea for help for grouse moors comes on the eve of what is expected to be a good season Grouse shooting begins next Monday, the so-called "glorious 12th" of August. The Game Conservancy, a

research organisation, said yesterday that grouse numbers in northern England and Scotland are up on recent years. But in many places they are still below the levels of the mid-1970s, because of changes in land use, predators and disease.

etween 1989 and 1994. "Grouse shooting has its Yet grouse moors bring detractors," Mr Gordon considerable economic bene- acknowledged, but it was part of Scotland's heritage, generated high levels of investment and remained an important source of rural employment, in spite of a

Belgium 0600 71959 Fieland 0600 49129016

Greece 00800 49129016 Italy 1678 70875

Portugal 0505 483551 Sweden 02079 1071

Car sales figures fuel optimism

By John Griffiths

Registrations of new cars jumped by 17 per cent yearon-year in July, further boosting hopes of 2m-plus sales this year for the first time since 1990.

UK makers were, however, less pleased by import statistics published this week. Imports accounted for 64.4 per cent of the July market, up from 62.5 per cent, a year ago, and for 61.8 per Policy, the federation cent in the first seven months (59.5 per cent). The registration figures

issued, however, conveyed more a mood of optimism than a significant contribution to sales figures. The July market is traditionally small because most buyers prefer to wait for August and the introduction of the annual registration prefix. Thus the 39,150 registrations recorded in July - up from 33,459 in the same period last year - may represent less than 2 per cent of the full year's figures.

"The real strength of demand will be shown this month, which normally accounts for 25 per cent of annual sales and 30 per cent Ernie Thompson, chief executive of the Society of Motor Manufacturers and Traders, which released the figures.

	Value.	July 1996 Change %	Share%	July 95	Volume	Change's	Share %	Share
tal market	39:150	* *17.0	100.0	100.0	1,039,768	· 65	100.0	100.0
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panese makes	4,229	19.6	103	10.6	134,442		12.9	12)
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rean makes	1,830	49.5	4.7	× 5.0	22.832	4628·	22	1

were further encouraged by August registrations close to August is being provided by registrations to private buy500,000. Total registrations price increase plans ers being some 20 per cent higher than a year ago. The the year reached 1,039,768 - makers. Ford's average 1.8 trade is increasingly optimis- 5.5 per cent up on the same tic that returning consumer period last year. An extra August 12 for example.

for the first seven months of announced by some car-

Dealers and carmakers confidence will nudge incentive to buy in early

Small companies fight shy of corporate codes

Research by voting agency reveals serious breaches of Cadbury and Greenbury directives

r Ronald Pratt joined Greenbury committee reports, the Cook's failure to set up an audit William Cook, the castings manufacturer, in rule books. 1949 and became a director in 1955. He now sits as one of two non-executive directors at the publicly Manifest, the new proxy voting quoted Sheffield-based company, the other being Mr Ian Porter.

Mr Pratt and Mr Porter, unlike non-executives at most public companies, do not sit on William Cook's audit committee. That is because the company does not have one. Nor does it have a separate remuneration committee to set executive directors' pay - the whole board takes the decisions.

breaches of the Cadbury and

two main corporate governance However, research carried out

during the recent agm season by is not alone. Several smaller public companies are failing to comply with even the basic elements of the datory and a responsible board Cadbury and Greenbury committee reports.

association with the company leads Manifest to doubt whether it complies with Cadbury's recommendation that the majority of The company's structure is such non-executives on a board should that it is committing serious be "independent of management". Manifest also states that William

committee is a "blatant breach" of the Cadbury code, and the fact that its remuneration committee acted as a non-executive director, more lenient with smaller public consists of the entire board rather than just non-executive directors is agency, shows that William Cook a breach of the Greenbury code.

The company's annual report says the Cadbury code is not manshould not "blindly follow rules which may be inappropriate and At William Cook, Mr Pratt's long not of benefit to the company". Mr Andrew Cook, chairman and

There are a large number of smaller companies that do not see it as relevant to their businesses to bury reports, incorporated into the

executive director. Looking at forthcoming annual

general meetings, Manifest also questions the independence of Sir John Fuller, a non-executive of holders may take a different view". Fuller Smith & Turner, the west William Cook's shareholders London brewer, whose annual meeting is on August 16. Sir John agement, with 21.89 per cent of the chief executive, said yesterday: has been a director of the company shares and Schroder Investme "Breach is an inappropriate word." and is a "major shareholder", the Management with 6.37 per cent. annual report states. Both the Cadbury and Green-

comply lock stock and barrel (with stock exchange rule book, called

Cadbury and Greenbury!" Mr on institutional shareholders to Cook also said that Mr Robert ensure companies' compliance. Pickford, company secretary, also However, investors have been even though he was designated in companies, which argue that costs the company's accounts as an prevent them from implementing all elements of the codes.

However Manifest says that "when companies drive a coach and horse through the codes shareinclude Phillips & Drew Fund Manshares and Schroder Investment

William Lewis

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ARTS

Apocalypse of the feelgood kind

efore my eyes blurred over during the closing credits of Independence
Day I counted roughly 100 visual effects craftsmen. Unrolling like the dead of two world wars, they are the unsung heroes of Hollywood's own newest world war, writes Nigel Andrews.

This alien invasion blockbuster has swept across the US smashing records, threatening Jurassic Park (all-time number one) and causing us to ask in the year of Twister. Mission: Impossible and now this, "What exactly is the current mental age of western filmgoers?"

Siring

The HING

Do we really all like to be terrorised, tornadoed, blown up and blown away? The question may be naive, like asking us if we like rollercoasters. But Independence Day, as absurd as it is energetic and inventive, is the ne plus ultra of recreational catastrophes. In the opening minutes it moves its citysized flying saucers across the known world, though only America's landmarks are dwelt on as they fall into shadow: the Hollywood sign, New York, the White House, in that order of impor-

Then it is all-out war between them and us, with global gung-ho being represented again exclusively by Americans in America. We have a manic computer boffin (Jeff Goldblum), a drunken crop duster (Randy Quaid), a black fighter pilot (Will Smith) and a President (Bill Pullman) who climbs into his own aircraft to do some last-reel zapping.

While London, Moscow and Bombay go down in sheets of unmourned flame at least we assume they go down, we barely see anything - the USA manages to disregard the world while behaving as if it represents it. Astonishingly we non-Americans go along with it. We don't care about London, Moscow or Bombay. We shudder to our depths as the Hollywood sign falls into

That all this is directed and co-written by a German is just another tribute to Hollywood as the omphalos doing such a heroic job of the world. Roland Emmerich brought kindergarten cunning to Stargate, which guided warfare has been used paint-by-numbers computer graphics to bring us dream images of ancient Egypt and Outer Space. Half Association of Theatre Ownof Independence Day looks digitally painted as well, but it moves so fast that we cannot count, indeed barely are indistinguishable from

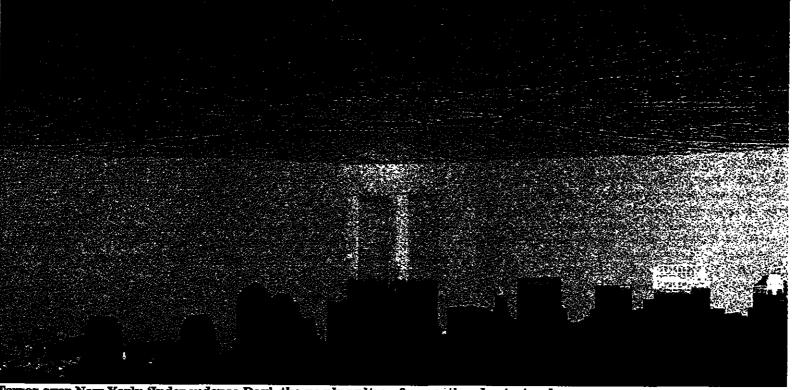
n the early years of the Proms, Monday night was Wagner night. How fashions change: in

order to get a good audience on a

Monday now, the Proms know that

their best bet is an evening of

early music on period instruments.



Terror over New York: 'Independence Day', the ne plus ultra of recreational catastrophes

INDEPENDENCE Roland Emmerich

THE SECRET OF ROAN INISH John Sayles

AUGUST Anthony Hopkins

> THE STUPIDS John Landis

notice, the dots and pixels. I counted 20 clear influences, from The War Of The Worlds to Alien, via The and The Day The Earth Caught Fire. But derivativeness bothers us no more here than anything else. Independence Day is a fastmoving, feelgood apocalypse in which 1bn people die, roughly counted, and we hardly notice. This is partly because the good guys are against the bad. And partly because the age of computerassed from one Nato (North Atlantic Treaty Organisation) to another (National ers), so that for everyone now the simulation tech-

niques of military rehearsal

the stimulation of actual conflict. In reel life as in real life, war is a video game.

The moralists will no doubt gird up their indignation for this latest chapter in the evolution of screen violence. But they had better hurry. The entire world will have seen *Independence Day* by the time they decide that it shouldn't.

Last week dolphins, this week seals. And Celts. If there's something the Great British Public likes better than amiable amphibians it's garrulous Gaels, writes Martin Hoyle.

Both seals and Celts emerge a trifle over-decoratively from the mists of The Secret of Roon Inish with an unabashed féerie that would make J.M. Barrie blush. Like Mary Rose, Roan Inish is an island that likes to be visited, indeed wants to be inhabited, though John Sayles's 1994 film is set not in Scotland but post-war

Little Fiona is sent from coast where her family were fisherfolk. Living with her Sir Anthony Hopkins reverts grandparents, she steeps herself in local legends. From slightly daft Tadhg (John Lynch, doing his intense, melancholy turn) she hears of the ancestor

hears of her baby brother being swept out to sea in his boat-shaped cradle. And on the now deserted island where the family lived she sees him: a chubby, naked infant out of Mabel Lucy Atwell, playing with the seals and sailing off in his tiny craft.

The story is taken with gentle seriousness. Haskell Wexler's photography echoes the director's well-judged blend of the everyday (gutting fish, tarring boats, roofthatching) with the element of mystery in the changing seascapes, vacillating between brumous and bright like the Celtic soul. The film's main weakness is that it presents an outsider's, a tourist's, view of Hibernian fantasy. But then all fantasy is tourist country.

The film is beautifully acted. Eileen Colgan and Mick Lally are the grandparents, and the children are outstanding: Jeni Courtney and Richard Sheridan as Fiona and her cousin - a mixture of the practical and the grimy city back to the the fey, like the tale itself.

to his Celtic roots for his debut as film director. Nothing fey about the plot of August: crumbling country estate kept going for absentee owner, a self-important who married a selkie, half- academic, by slightly hibuwoman, half-seal. She also lous brother-in-law nearing

embittered middle-age and plain, pining daughter. Other characters include an idealistic local doctor and the academic's glamorous second wife ... Yes, this is Uncle Vanya, Chekhov translated to Caernarvonshire.

Convincingly, too, with the hooter and explosions of a nearby quarry providing reminders of the ruthless world outside. The film was shot on location, before (a reversal of the usual process) a stage production with the same principals. It makes a handsome and distinguished, though I suspect some will say too theatrical, debut for Hopkins. The film is unfailingly

good to look at. Robin Vidgeon's photography is as evocative when capturing dusty sunbeams slanting through cluttered interiors as in the perpetual teatime of the garden; but with a solid reality that transcends the self-conscious period picture-postcard feel of Merchant-Ivory.

Hopkins marshals his cast ensemble: the fumbled shooting when Ieuan (vice Vanva) goes berserk and throws the household into a panic is played for the laughs that usually get overlooked in Chekhov: a romping Rossini Act 1 finale. Moments of culated groupings aspire to opera's gift for the simultaneous expression of different emotions. Not all of it comes off: but the film is engross

Hopkins is Ieuan, less overblown than he can be on stage, restrained in his mixture of clowning and eruptive frustration. The cast rises to the Chekhovian challenge of thumbnail autobiographies. Especially notable is Gawn Grainger's doctor, resembling a better-nourished Robert Louis Stevenson, and newcomer Rhian Morgan, whose Welshness makes the plain Sian (Sonya), with her quiet resignation and sense of duty, touching and credible.

The Stupids is based on a comic strip and goes for the kids in a wham-bam Mad Magazine-for-six-year-olds sort of way. Tom Arnold is the shrunk-suited Panamahatted paterfamilias whose quest for the arch-villain Sender (as in "return to ...") cues a guest appearance from a strawberry-blond with a feeling for operatic Christopher Lee, possibly the world's Etonian.

The rest - including a wacky singalong on a TV personal problem show and illicit arms dealing touches manic surrealism so often that after stony-faced overlapping speech and cal- disbelief you find yourself cackling incredulously.

> played the more obviously comic role of Juno without the pantomime dame overtones of the other

The leading pair rose to the occa-

sion. Rosemary Joshua trilled and

skipped athletically up to high Ds

in Semele's music mostly with

Theatre/Alastair Macaulay

Spontaneous fascination

Gabler where nothing is less than good, Harriet Walter's performance of the title role is more or less ideal. A fascinating actress, she expresses Hedda's self-destroying ironies and contradictions in myriad details. Arrogant/cowardly, artful/impulsive, irrepressible/guarded conventional/faithless, theatrical/bored, grand/petty: oh, she is all of these, and more. Just see the bitter balf-smile – grati-fied and frustrated in the same instant - that passes across her features as she hears that her husband Tesman's predicted inheritance of the local professorship will now have a challenger in the person of her ex-lover Lovborg. Just hear, when Mrs Elvsted asks "What do you really want, Hedda?" the pent-up hunger and casual malice with which she replies. power to shape a human des-

Walter is "right" for Hedda – as she should be for Beatrice and Millamant – because she is writ right through with self-contradictions. The glamour of her looks has both softness (eyes, mouth, breasts) and hardness (cheekbones, jawbone, brow), and her gait is both erect and pliant. As for ber voice, it is among the oddest since Callas. It mixes chest and head tones in an uneven scale; now it sounds bottled up, constricted, now t tingles in the very front of her face; it is sweet and sour, defensive and vulnera-

Every aspect of this interpretation leads you back to the role and to the play. Because of her contradictions, Hedda is an exceptionally easy role to misjudge. She has guts in trivial ways, but none in big ways; and she misapplies her considerable intelligence. No doll, she chooses to live in a doll's house; she rejects the "Kinder, Kirche, Kuche" credo of typical 19th century womanhood, but knows no alternative way of fulfilling herself; and, as for living through others, she lacks the generosity or the selflessness. She revolted by the dying, but she finds a morbid perverted-Romantic appeal in the idea of "a beautiful death"; and the final irony of the play is that, when she finally kills herself in just this

n a production of *Hedda* fashion, nobody finds beauty or glory in her action. All of which, here, falls into

> The strangest interpretation in the play is David Threlfall's muted, burnt-out Eilert Lovborg, but, like everything here, it works. Peter Blythe, replacing Roy Marsden, makes Judge Brack, surprisingly but tellingly, feline. Nicholas Le Provost as Hedda's husband Tesman is almost John-Cleese-like in his earnest and feckless ways. The warmhearted, tender, fretful solicitude that Phyllida Law brings to Aunt Julia is perfection; I love the anxious glance she gives to her own hat while talking to her nephew of something else. She in her way and Jenny Quayle's equally fine Mrs Elvsted in hers exemplify kinds of womanhood that Hedda rejects. Isabella Bywater has not

only designed a completely believable interior, she has also managed to make the oddest small points come off. You feel that Hedda's grand piano is out of place in this room before she says so. And as you see Mrs Elvsted's curly, bushy hair, you know at once why Hedda has longed to pluck it out.

The production employs a very free version of the Ibsen play by Helen Cooper. (who, if memory serves, once acted in a fine chamber-scale Hedda at the Almeida in the early 1980s). But, though she takes liberties and misses a few nuances, this text has the right freshness and transparency, so that the only feature of the characters' locution that draws attention to itself is their abundance of metaphor.

Lindy Davies, directing, has elicited from the whole cast a very unusual spontaneity of contrasting dynamics (a spontaneity that is fascinatingly, the precise opposite of what she elicited from her cast. Walter included, in last year's West End production of Pinter's Old Times), so that characters sometimes start to overlap as they speak lines. This is finely enough judged never to become irritating. believe that these characters really do know each other.

At the Minerva Studio Theatre, Chichester, until August



Freshness: Harriet Walter and David Threlfall

The Proms/Richard Fairman

Sounds of authenticity

In Christie's case, there was the added draw that the audience was preferably featuring one of the leaders of the authentic movesaved a journey to Aix-en-Provence. A new production of Han-del's Semele with his group was On Monday this week the Royal Albert Hall was packed to the raf-ters for William Christie and Les the main attraction at the festival Arts Florissants, as it had been the there this summer, indeed the only week before for Trevor Pinnock opera to be seen (Aix, like some other regional festivals in France, and the English Concert. It is just an irony that the very popularity suffered financial cutbacks this of "authentic" early music these days means that it is to be found year). By bringing it in a concert performance to the Proms, Les Arts Florissants were able to play in halls which are probably 10 in front of the largest audience they can ever have had. times the size of any authentic

In the last six months, London has already had two Semeles - one fully staged at the Royal Opera House, the other in concert at the Lufthansa Festival - and this remarkably made a third. Each has had its own personality. Among the conductors, Mackerras at Covent Garden was inevitably the heaviest with a traditional orchestra; Ivor Bolton for Lufthansa was swift, light, strictly in tempo; Christie sought out elegant dance rhythms with a distinctly Gallic

It was interesting to hear an international cast in Handel instead of shuffling the regular British pack. The vibrant fast vibrato of Swedish mezzo Charlotte Hellekant's Ino, made a strange contrast with Michael Chance's plangent counter-tenor Athamas. Of the two basses, the German Reinhard Hagen was a stern Cadmus and Willard White a Somnus with a dry sense of humour. Janis Kelly laid the jokes on thickly as Iris; but the American mezzo Kathleen Kuhlmann

two recent performers.

pleasing brilliance. Timothy Robinson sang a fluent and lyrical "Where'er you walk". Their crucial Act 3 scene was performed in its entirety, showing Handel to be a more ambitious dramatist in this score than one might have suspected. For his part Christie may exaggerate tempos - the slow music at the end was hugely drawn out - but the death of Semele became quite moving. The large Proms audience was held in

INTERNATIONAL

18th century venue.

■ AMSTERDAM

Concertgebouw Tel:

31-20-5730573 Hae-Eun Kim and Maria Kulakowska: the cellist and planist perform works by Boccherini and Crumb. Pianist Finghin Collins

performs works by Rachmaninov, Field and Chopin; 8.30pm; Aug 9

EXHIBITION De Nieuwe Kerk Tel: 31-20-6268168

CONCERT

المراج ال

 Palech, een Russisch sprookje: exhibition of more than 100 lacquer miniatures, created in the 19th and 20th century in the Russian village of Palech. The works on display come from the Museum for Decorative Arts in Moscow, the Museum of Palech and the Ritman collection; to Sep

CAMBRIDGE, US EXHIBITION

Arthur M. Seckler Museum Tel: 1-617-495-9400

 The Fire of Hephaistos: Large Classical Bronzes from North American collections: this exhibition comprised of full figures and body parts concentrates upon large-scale Classical bronze statues. Executed in what is known to have been the most preferred medium for sculptors and patrons during the classical period, very few of these choice statues survive today. The display includes 52 large Greek and Roman bronzes and focuses both upon the links between ancient styles and techniques, and the new research methods that scholars are using today to study this ancient industry; to Aug 11

■ COPENHAGEN EXHIBITION Ny Carlsberg Glypothek Tei:

45-33 41 81 41 Byzantium. Late Antique and Byzantine Art in Scandinavian Collections: this exhibition brings together more than 100 objects from Uppsala, Stockholm, Oslo, Helsinki, Copenhagen and Odense. The display includes late Roman imperial portraits, Coptic textiles and limestone reliefs, late Antique and Byzantine coins, pendants and manuscripts from the middle Byzantine period, and icons from the late Byzantine era; to Aug 31

LONDON CONCERT

St. Martin-in-the-Fields Church Tel: 44-171-9300089 Baroque by Candlelight: The Belmont Ensemble of London

Gilbert-Dyson perform works by Mozart, J.S. Bach, Vivaldi and Handel; 7.30pm; Aug 10

with conductor Peter

EXHIBITION Barbican Art Gallery Tel: 44-171-6384141 Eve Amoid: in Retrospect/ Derek Jarman: A Portrait: two exhibitions shown at the same time. Eve Amold: In Retrospect covers the life's work to date of photographer Eve Arnold, who for more than four decades has served as witness through camera and words to many of the major figures and events of the latter half of the 20th century. The display includes over 200 photographs, Derek Jarman; A Portrait considers the diversity and impact of Jarman's career a an artist, film-maker, stage designer, writer, gardener and influential figure in gay politics. The exhibition features over 200 works including paintings, theatre designs, photographs, writing and his Super 8 films; to Aug 18 Design Museum Tei: 44-171-3786055 Treasures of Fabergé: exhibition of 40 perfume flasks by the workshops of Fabergé, Imperial jeweller to the Russian

Meurice F. Mizzi. Approximately half the perfume bottles are made of gold, silver and translucent enamel, the other half are gems set in gold; to Aug 11

court, from the collection of

Barbican Theatre Tel: 44-171-6384141 Romeo and Juliet: by Shakespeare. Directed by Adrian Noble and performed by the Royal Shakespeare Company. The cast includes Christophe Benjamin, Susan Brown, Julian Glover and Michael Gould; 7.15pm; Aug 9, 10 (also 2pm)

■ LOS ANGELES EXHIBITION

Los Angeles County Museum of Art Tel: 1-213-857-6000 Designing Modernity: The Arts of Reform and Persuasion, 1885-1945: this multi-media exhibition seeks to explore western society's response and reaction to modernization, the dominant force following the industrial revolution and proceeding through the aftermath of the second world war. The display features nearly 285 objects including European and American paintings, sculpture. prints, furniture, metal work, ceramics, glass, books, toys and ephemera. Artists represented include William Morris, Frank Lloyd Wright, Peter Behrens, Hector Guimard, Mies van der Rohe, Marcel Breuer, Isamu Noguchi and Walter Dorwin Teague; to Sep 22

MUSICAL Ahmanson Theater Tel: 1-213-972-0700 Carousel: by Rodgers and Hammerstein. Directed by Nicholas Hytner and choreographed by Kenneth MacMillan. The cast includes Sherry D. Boone, Sarah Uriarte, Kate Buddeke, Patrick Wilson, Joseph Ricci and William Metzo; Tue-Sat 8pm, Sun 2pm, Thu, Sat also 2pm; to Aug 25 (Not

■ NEW YORK EXHIBITION

Guggenheim Museum SoHo Tel: 1-212-423-3840 Mediascape: the Guggenheim Museum Solio reopens to the public with this exhibition devoted to multimedia and interactive art. It features 14 works by 10 artists, including Marie-Jo Lafontalne, Bruce Nauman, Nam June Paik and Bill Viola; to Sep 15 The Metropolitan Museum of Art Tel: 1-212-879-5500 Modern Glass as Art: this exhibition, selected from the Metropolitan's collection of 20th-century architecture and design, explores glass as a medium for contemporary art and includes works made by a variety of techniques manipulating the glass through blowing, casting, etching, flameworking, and stained glass; to Oct 6

PARIS EXHIBITION

Centre Georges Pompidou Tel: 33-1-44 78 12 33 James Coleman: this exhibition shows installations of this Irish artist, and is a part of the cycle "L'Imaginaire Irlandais" that takes place in Paris from May until September; to Nov 18

SALZBURG

EXHIBITION Rupertinum - Salzburger Landessammlungen Tel: 43-662-80422336 Louise Bourgeois. Skulpturen

und Objekte: exhibition devoted to the French-born American sculptor Louise Bourgeois. The display gives an overview of her work between 1946 and 1992 and features between 15 and 20 objects; to Oct 27

OPERA Grosses Festspielhaus Tel: 43-662-80450

 Fidelio: by Beethoven. Conducted by Sir Georg Solti and performed by the Wiener Philharmoniker. Soloists include Peter Mattei, Tom Fox, Ben Heppner, Cheryl Studer, René Pape, Ruth Ziesak and Roberto Sacca. Part of the Salzburger Festspiele; 5.30pm; Aug 10

■ SANFRANCISCO EXHIBITION SFMOMA - Museum of Modern Art Tel: 1-415-357-4000 Glenn Ligon: New Work in this

exhibition the African American artist shows two new series of works in tandem. A group of self-portraits as discrete canvases and pictures taken from the Million Man March in Washington last autumn create an encompassing screen of images; to Aug 25

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Peter Martin

Good relationship guide

Companies working to establish lasting rapport with their customers beyond simple transactions need to follow basic rules which reinforce quality

ships with baked beans con-

quarterly magazine and tai-

Mature marketing exec, successful but dissatisfied, sceks attractive consumer, footloose and fancy free. Obiect: lastina relationship. You won't find this message

in the lonely hearts column of your local free-sheet, but it's hard to miss it pretty much everywhere else. From baked beans to supermarkets to airlines, consumer-oriented companies have devoted much of the past decade to "relationship marketing", the attempt to build links with their customers which extend beyond simple transactions. Some of these efforts -

especially the earliest airline frequent flyer clubs have been stunningly successful. Others have added more to costs than they have to revenues. What all those mature marketing executives hope for is the magic ingredient that distinguishes real commitment from just, well, fooling

As soon as a company moves its product beyond the commodity stage, of course, it has taken the first step towards building a relationship with its customers. Quality, value, attentive service - all these are traditional ways of encouraging repeat business. And the whole point of branding ever since Bass first slapped a triangle on its bottles to create the UK's first registered trademark – has been to build lasting trust in

the consumer's mind. What's different now? Just as Stalin defined communism as socialism plus electrification, so relationship marketing is brandbuilding plus computerised databases. Not only do your customers trust you, but you know who they are and where they live. Straight away, you can lower the costs of advertising and increase its effectiveness. But there's more: you can offer them promotions

offer to reward lovalty, as supermarket chains such as lesco in Britain and Carrefour in France have

But has the fad gone too (ar? Companies rarely admit to all-out failure in relationship marketing, and once started such schemes are hard to cancel. The rush of me-too loyalty schemes among US telecoms operators, international airlines, or British supermarket chains - suggests, however, that some companies are paying out more to build relationships than they will

ever get back in sales. Companies thinking of trying to establish relationships need to bear in mind some simple rules.

 Raise consumers' cost of switching. Relationship marketing is not just about giving consumers a warm glow about your company and products. It has a more cold-blooded rationale: to make it harder for customers to choose freely between suppliers. Frequent flyer because the miles awarded are not transferable. Passengers are unwilling to switch

patterns. And, most effective of all, you can redesign that means sacrificing sidiary of Helnz is seeking the product or service you unused miles. Similarly, to build lasting relationship marketpharmaceuticals wholesalers lock in drugstores as sumers, by offering them a customers by providing valuable computer software. The cost of adapting to new software discourages the customers from switch-

A well-designed relationship marketing programme will seek to raise consumers' switching costs. And there's an extra bonus to any warm and fuzzy feelings the programme induces: they serve to camouflage the limitations on consumer choice that these higher switching costs impose.

 Emphasise service. It's not surprising that the most successful relationship programmes are in service businesses. Services tend, by tional" than manufactured goods. And many services require detailed knowledge by the provider of the circumstances of the customer. But even service es can improve the nersonalisation of their offerings; and suppliers of manufactured goods can add a service component. for example by guiding cus-



potential

lored promotions. One category of manufactured goods producers, computer makers, has found that service-based relationships have turned into transactions as their products have become more reliable and standardised. IBM built much of its success - even when its main line of business was tabulating machines, not comput-- on exemplary service for complex, finicky machinery. Now that computers are reliable, off-the-shelf products, it is much easier for customers to choose on price. The more reliable a product, curiously, the lower the relationship

point is made by James Rosenfield, a marketing conthat are not working; or to close them down. sultant based in San Diego, California. Companies may think they have loyal customers, when really they have resentful captives - or mercenaries. If there is no hope of building true loyalty, then there is little point in trying, expensively, to reinforce it. It would be better to reinforce barriers to entry against rivals (for example, by lowering costs). Similarly, as Mr Rosenfield puts it, relationship programmes that rely heavily on incentives risk "substituting rewards for satisfaction." Dissatisfied customers will soon find someone else

Don't confuse loyalty,

necessity and bribery. This

By the way, dissatisfaction is almost guaranteed if the benefits you promise to loval customers can't be provided. Getting the marketing database to work smoothly with the operations database is often the key to success with loyalty programmes - yet it is also one of the hardest things to achieve.

ing programme, it's very hard to back out of it without alienating the people who are, by definition, your most valuable customers. Even relatively small scale changes - such as the expiry dates for unused miles that US airlines introduced, or British Airways' higher mileage qualifications for the upper tiers of its frequent-flyer club - risk ill-will. How much more damage would be caused, therefore, by a decision to close a programme altogether? So far, there are few signs of companies taking such a drastic step. But Mr Rosenfield, the marketing consultant, believes that some poorly thought-out schemes are starting to col-lapse under the weight of high costs and poor results. with a difficult choice: to

soldier on with programmes

These are practical ques-tions that affect the design and operations of loyalty schemes. But there is also a higger question in the background, one intimately familiar to any student of human nature. "In every relationship," as the saying goes, "there is one who loves and one who is loved." Companies may believe they have a relationship with their customers; but the customers may perceive things very differently. They may not be actively seeking to move away from their usual suppliers, but they may not have any real commitment to them. The companies that have managed to make relationship marketing work usually had a headstart: strong brand images, a product with a strong service component, long-standing emphasis on

customer satisfaction. Rela-

tionship marketing can rein-

force such qualities. It can-

not be a substitute for them.

to the midnight hour force being used to recover interest is to guarantee con-The massive Taiwan.

BOOK REVIEW - Peter Montagnon HONG KONG - CHINA'S CHALLENGE: by Michael Yahuda

Routledge, 150pp, £37.50 (hardback) £11.50 (paperback)

China's countdown

seconds remaining until Hong Kong reverts to China has become a familiar landmark in Beijing's Tiananmen Square since it was installed at the height of the controversy over the democracy proposals of Hong Kong governor Chris Patten in 1994.

Most visitors probably think of its remorseless flashing as a warning to Hong Kong of its inexorable fate, but, according to Michael Yahuda, the clock is ticking for China too.

The handover constitutes an awesome and ill-timed challenge to the mainland, he argues. It comes as China struggles to shed its authoritarian and inward-looking continental traditions and become a liberal, outwardlooking maritime nation.

Hong Kong encapsulates the tensions involved, and Beijing, he suggests, is not very well prepared to deal with them. The territory's business people who rather glibly assume that Chinese money politics will see them all right after 1997 should read this book carefully.

So, too, should those in China who will be responsible for what happens after the handover. The advice it contains may be unpalatable but it is given with sympa thetic understanding of the dilemma China faces.

Failure to make the "one country, two systems" principle work in Hong Kong would mean a loss of faith at home in the Chinese government's ability to continue delivering economic reform. With its authority and legitimacy weakened as a result, government would become more conservative and its relations with the outside world more truculent.

That would be a step back for China and a worry for

A flourishing Hong Kong could pose problems of a different sort. Its mere example would make it a subversive force, undermining the authority of the Communist party at home. Hong Kong would become an attractive example to mainlanders wishing to emulate its way of life, its local autonomy and freedom under the law.

Beijing wants to make the transition succeed, Yahuda suggests, but the odds are stacked against it. The handover negotiations have been dogged by misunderstandings and hampered by reac-tion to the Tiananmen Square massacre in 1989.

"What happens if the judges get it wrong?" asked one Chinese official in the midst of the debate over the territory's court of final appeal. By tradition, China's rulers have never left really important decisions in the unpredictable hands of a bunch of independent judges. Yet without the clear rule of law which such judges provide, Hong Kong

could scarcely flourish. Part of the problem is that there has been no major China's government concerned with Hong Kong's affairs, and no institutionalised route through which Hong Kong matters can be brought to the attention of

senior leaders. That may change after 1997. The new Hong Kong chief executive, Yahuda assumes, will have a senior political adviser, appointed by Beijing, who will have access to the very top.

But there are risks. The Basic Law, which will in effect be Hong Kong's constitution after 1997, is vaguely worded and will allow central government considerable control over Hong Kong's internal affairs.

A fundamental misconcepthe outside world, since it tion in the business commu-

tinuity in Hong Kong because of its great economic importance. Mindful of the chaos following the collapse of the communist Soviet Union, the Chinese authorities have developed an emphasis on sovereignty and national unification

which overrides the business argument, Yahuda says. China will monitor Hong Kong closely to ensure that its understanding of sovereignty is not breached. It is

unlikely to leave well alone. That leads to China's plan to abolish the Legislative Council elected under Mr Patten's reforms and bar some democrats from political office, despite their popularity.

Such a draconian step is scarcely compatible with the rule of law. The more the provisional LegCo appointed by China differs from that elected in 1995, the less legitimacy it will have. China must have a system that is seen to be legitimate if the rule of law is to have credibility.

The key to avoiding a dangerous, not to say catastrophic, constitutional crisis towards the end of the bureaucracy at the heart of transitionary period may well be whether an accommodation can be reached between the Democratic Party and the Chinese authorities," Yahuda con-

The pressures of the approaching deadline with all its implications for China as a whole might well prompt such a reconciliation, he suggests. In that case there are real reasons to be optimistic about the future of Hong Kong.

It is hard to disagree with the analysis. But the prescription looks bold indeed.

Hong Kong - China's Challenge is available from FT Bookshop by ringing Free-181 964 1251 (outside the UK).

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From Mr Gregory M. Davis. Sir, I was dismayed by your editorial re Bob Dole's tax plan ("Doleful plan for US taxes", August 6). You rightfully criticise the pres ent political atmosphere as disgracefully negligent in its unwillingness to confront burgeoning entitlements. However, your comment that the 1980s "supply-side

experiments" were "disastrous" belies your otherwise impressive wisdom. There is no question the 1980s saw record deficits, but

From Mr Alexander
P. Vucelic.

Sir, Your otherwise fine

series of stories on the Mos-

ation by omitting critical

information. About 24,000

Serbs were expelled from Mostar at the beginning of

vanished in that exodus, but

There are 17,000 Serbian

survivors who would like to

return to their city, Mostar. These Serbs were not

allowed to vote in the June 30 Mostar elections. The per-

functory offer of a few buses

to bring 500 refugee voters in

the war. A few thousand

that is another story.

tar elections distort the situ-

it is the greatest fiction of the modern press that this was the result of President Reagan's tax cuts. In fact. federal tax revenues grew by 24 per cent from 1982 to 1989, in contrast to the roughly 16 per cent increase in the seven years since 1990. Reagan's failure lay in his neglect of entitlement programmes which grew at unprecedented speeds. In short, since 1990, two tax increases have been legislated, federal revenues have

declined as a portion of gross

peaceful evolution of Bosnia. The elections in Mostar

are flawed, not because the

Croats refuse to recognise a

council. They are flawed

Moslem majority on the city

because these elections vali-

tar's Serbian population and

deny upwards of 20 per cent

In the upcoming Bosnian

statewide elections, a similar

distortion of the voting rolls

is taking place with sanction

by the great powers. Refu-gees residing in Croatia,

Europe, and north America

are encouraged to cast absentee ballots on Septem-

date the expulsion of Mos-

of it the right to vote.

Allow Serbs vote in Mostar elections

A good move by Dole on tax

Any plan to reduce the deficit cannot succeed without sustained growth and an overhaul of entitlement spending. Government policy cannot ensure a healthy economy, but it can give one a chance. Dole's proposal is a small step in the right direction.

domestic product, and eco-

nomic growth has slowed.

Gregory M. Davis, National Review, 150 Bast 35th Street, New York, NY 10016, US

While not mentioned in

the FT, this fact is well

Denial of Serbian refuge

the peace process and

their moral authority.

encourages nationalists

the right to vote discredits

Approval of this denial by

the great powers undermine

The great powers should

encourage moderates to come forward in the peace

process. How can Serbian

moderates come forward to support the elections when

their population is denied

the right to vote?

allowed to vote.

mance at Atlanta is rightly being questioned. A lack of investment in excellent sporting facilities and support for our young athletes ing. But there is more to it than that. Our French cousins are

Sir, The UK's poor perfor-

Diet factor

in sporting

prowess

reaping the fruits of such investment but they also thrive on a quality of dist unusual in Britain. This fact must surely contribute to the strength and vitality of their budding athletes. Chips, burgers, soft drinks and a tonnage of confection-ery second to none in the world may be the stuff of but not athletes!

By all means provide better facilities but this alone will not suffice. We must also do better in ensuring a higher quality of diet for our children than at present: Cultivating health has always been more fruitful than treating symptoms of

James Witchalls. Maddox Farm, Little Bookham Street, Little Bookham,

from Serbia for the day ber 14. Yet, the 550,000 Bos-Alexander P. Vucelic, humiliated moderate Serbs 64 Lakeview Road, South Salem, NY 10590, US nian-Serb refugees residing Surrey KT23 3BU, who wish to support the in Yugoslavia are not

Economic plant and levy answer to tyre recycling problem From Mr Herbert Beven. Sir, I was fascinated to read the articles by Andrew Baxter and Chris Tighe on your Business and the Enviroument page ("Wheels turned into 'reverse' ", July 24). There are to our know ledge about 200 ideas that only need a few million pounds, dollars or something to get them to solve the tyre problem and make their investors instant million-

I have to tell them it isn't quite like that. You get a good idea. You put about 23m of your own and your colleague's money into the project. You find an organisation with experts in all the

chemical and mechanical disciplines required, in our case the Atomic Energy Authority. Then you spend five or six years on the necary research and develop-

ment of a full-size plant At that point you are again told by the doubters and talkers that recycling tyres can NOT be economic. What is economic? I would ask somebody what waste is 'economically" disposed of. Domestic waste is not, hospital waste is not, toxic waste is not. Why should tyres be

any different? In all these cases the public pays the bills in some way or another. Our recycling equipment is truly economic with a very small disposal fee.

A recycling levy on a tyre when the new one is purchased would solve the probiems. Many other European countries are already doing this. The technologies for effective disposal are available, including ours. The outlets are in existence and in a number of cases the Environment Agency authorisations to run the plants are in place.

I suspect that now is the time to stop talking and act impose an unsatisfactory solution on the UK.

before the European Union or a high-profile tyre fire

activities for our pyrolysis the public perception is that the care of the environment matters to them. Also, our full-size system has been

tyres for many years. Perhaps it is better to concentrate on today's products for today's problems rather than on blue-sky research . that might solve problems in the next millennium.

working successfully on

Herbert Beven, chairman, Beven Recycling (UK), Building 363, Curie Avenue. Harwell Laboratory, Oxfordshire OX11 ORA, UK from Ma ALLEN THE ! ---

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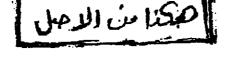
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Thursday August 8 1996

A message from Mars

Confirmation that life once existed on Mars would be the Culmination of a 450-year voyage of imagination and discovery. It was started by a Polishborn priest, Nicolas Copernicus, Carried forward by courageous thinkers such as Galileo and Darwin, and has irreversibly changed man's perception of his place in the world.

Copernicus's theory, published after his death in 1543, seemed repugnant and implausible to many scholars at the time. For he demoted the earth of men from the centre of the planet circling a fireball. Nearly a century later, Galileo was persecuted by the church for expounding this theory. But Galileo's experiments under bouse arrest helped to establish beyond doubt that he was right and the Inquisition wrong.

In recent years speculation has reached out far beyond the solar system, to galaxies and clusters of galaxies, each consisting of billions of suns and ~ perhaps - many millions of planets inhabited by creatures such as ourselves. Charles Darwin and his followers showed that life could have evolved by chance and natural selection from a soup of simple chemicals into the godlike form of man. But did it? Until recently, this question seemed destined to remain one of the great mysteries of nature: for however marine - to find out.

strong the theory, one cannot travel back in time to observe life actually emerging.

However, if the fossilised cell found on a meteorite in Antarcyears in extremes of heat.

Moreover, this year the existence of planets round distant stars has been confirmed by observation for the first time. We may never touch or see but we can use radio telescopes to tune into their broadcasts. Ridiculous? The US Congress thought so three years ago when it stopped the funding for such a project. But scientists increasingly believe that there is life out there and that some of it is intelligent. It is surely worth the price of a millennial celebration - or a nuclear sub-

Handling Iran

In the argument between western allies over how to handle states accused of sponsoring terrorism, there is a serious risk of diplomatic wires getting crossed to nobody's benefit. US legislation that would penalise non-US companies involved in energy deals with Iran or Libya is causing political and trade tensions. More fundamentally. the allies are again at odds over whether those states are demonstrably engaged in exporting

It is important that the issues are kept distinct as far as possible. The legislation, coming after the Helms-Burton law to penalise trading with Cuba, has exacerbated longstanding fears about "extra-territoriality" the use of US law to regulate other countries' behaviour. European governments are right to object, and to prepare robust retaliation to protect

Whether they are also right to play the issue down, in the hope that President Bill Clinton will use his discretion to implement the new laws leniently, is more questionable. On the contrary, there is a real danger that in this election year, the administration may find its hand forced by public outrage over the (as yet unexplained) TWA airliner crash. US politicians, in any case, are less concerned with the legal niceties than with a punishing them with unacceptfeeling that America's allies able legislation.

tend to put selfish mercantilist interests ahead of international security.

The US and its allies must now work harder to understand each other's positions. At the core of the European case is the fact that US assertions about Iran's role in terrorism remain unproven. While there is little doubt that Iran. Libva and other countries have settled domestic scores through violence in western capitals, Washington has yet to demonstrate that either Tehran or Tripoli is at present engaged in a campaign of state terror against other countries. The Europeans also maintain their "critical dialogue" with Iran benefits all sides, including the US and Israel, by keeping communications open. US officials, meanwhile, are

baulking at disclosing secrets about Iran to partners which are themselves in friendly contact with that country gap should not be unbridgeable. The allies could fend off the charge of faint-heartedness by stating that they would approve concerted action against any country proven to sponsor ter rorism. And Washington should back its case against "rogue states" by presenting its evidence as openly as possible.

The US has more to gain from working with its allies against the terrorist threat than from

Clarke's test

Mr Kenneth Clarke has always how it now thinks Mr Clarke said he wanted to prove that should proceed. Given his previprudence can be popular. After more than three years as UK chancellor, many have started to think that he actually believes this. His policies have not been a model of economic probity. But nor have they been deeply irresponsible - an achievement, given the political pressures on Mr Clarke to repeat the boom and bust mis-

takes of the 1980s. The job, however, gets harder from now on. That is the main message of the Bank of England's latest quarterly inflation report. It is also the message of recent economic data and the unexpectedly poor state of the public finances. If the government's recovery in the polls continues, Mr Clarke will egy has been vindicated. But autumn will provide a much bigger test of his convictions.

On unchanged interest rates, the Bank is even more doubtful than it was in May that the government will meet its inflation target of 21% per cent or less in two years' time. The main reason for the greater pessimism is Mr Clarke himself, who overruled Mr Eddie George, the governor of the Bank, when he cut base rates by a further quarter of a percentage point in June. The Bank thought the cut was cessary then and, to judge by the report, it believes the same thing today.

ous advice, the governor ought, logically, to have recommended a rise in interest rates at last month's monetary meeting. The signs are, however, that he merely restated his disapproval of the June cut, deferring a real showdown with the chancellor until the autumn.

This fudge will be another disappointment to those who were hoping that the Bank's greater visibility within the new mone tary policy framework would make it more apolitical. But the reality is that Mr George has decided to save his firepower for the battles he can plausibly win He has a strong case in resist ing any further interest rate cuts. Growth in consumer spending has been accelerating since the start of the year, and looks set to continue. Likewise most see the stagmant manufacturing sector recovering quite

smartly in the coming months. Yet, while it is plausible to expect a recovery in export markets, and to expect producers to raise output, neither has happened yet. The uncertainty means that Mr Clarke can probably defer a decision on higher interest rates until the autumn but not much beyond then. As he well knows, he might not have to raise interest rates significantly if he opted to raise taxes in the Budget. His party colleagues will want to avoid taking either medicine; a pru-The report is less clear on dent chancellor cannot let them.

tica really did come from Mars, as is now believed, this would be powerful corroboration that life has evolved elsewhere in the universe. Unmanned space probes planned this year may find conclusive evidence one way or the other. Laboratory experiments on earth have already shown that the primitive constituents of life can form Spontaneously from chemicals. Advances in microbiology have proved that the simplest organisms can be far more robust than was once thought, thriving in salt, sulphurous gases and scalding tempera tures. Microbes can also live for

> ollowing Boris Yelt- out his four-year term. His early how the conflict can be quickly sin's resounding re- death would spark a fierce strug- resolved. election as Russian gie for the succession and pres-president last month, age further political instability. some of the country's But the president has shown

Now and then: the energetic Boris Yeltsin of six years ago (right) is now an exhausted leader after the gruelling election campaign (left)

COMMENT & ANALYSIS

finest poets turned their minds to remarkable powers of recuperacomposing a celebratory ode for tion before, and he may yet steel himself once again for the polititomorrow's inauguration cerecal fight after a prolonged rest. It has not been easy. Critics As the French president François panned the official version glori-fying the president of a "great Mitterrand proved, sick men drugged on the stimulant of and majestic" Russia carrying power and a sense of their impor-"the light of freedom to the tance in history can endure far world". Even one of the presilonger than the actuaries would dent's aides complained about suggest. such "monstrous bombast" and The president's closest aides

some of the country's

mony in the Kremlin.

quietly dropped.

ing the mood of a nation grown

weary of the present and still

wary of the future is poor mate-

As Mr Igor Kon, a Russian soci-

ologist, recently wrote: "Under

Soviet rule. Russia was the most

hypocritical country in the

world. Now, it is the most cyni-

Mr Yeltsin's actions since

being re-elected on July 3 have

hardly inspired confidence that

alone pressing ahead with eco-

For the past month, the 65-year-old Mr Yeltsin has been

secluded in a suburban sanato-

rium, appearing only rarely and

briefly on television. His aides

concede the president is still suf-

fering from "colossal tiredness"

Mr Yeltsin appears a pale

following the election campaign.

shadow of the man who was vig-

orously dancing with young vot-

ers just three months ago. Many

observers now openly doubt that

he will live long enough to serve

rial for heroic odes.

nomic reform.

the whole idea has since been insist Mr Yeltsin is still in "wonderful intellectual form" and is The poets' mental block has determined to win his place in perhaps been caused by the diffihistory as a great reforming culty they - and all other Rusleader, alongside the 18th-century sians - have in deciding whether Tsar Peter the Great who Mr Yeltsin's inauguration marks dragged Russia screaming into the start of a more hopeful chapthe modern world. ter in the country's history, or is They claim Mr Yeltsin's commerely the inconclusive epilogue petitive nationalist instincts were of its recent, painful past. Captur-

fired by a trip to China this spring when he saw how far that country was forging ahead of Russia in building a modern economy and attracting billions of dollars of foreign investment. Mr Yeltsin has a mission to restore Russia to the ranks of the world's great powers.

But when Mr Yeltsin returned to the Kremlin on Tuesday to co-operate. At its founding conprepare for his inauguration he gress yesterday, the leaders of was immediately faced with an the union seemed set on adopting in-tray stuffed with more mun- a confrontational stance. ing the "light of freedom". let challenges

The most alarming was the latest eruption of fighting in the southern breakaway region of Chechnya which threatens completely to overshadow the inauguration ceremony. A shaky ceasefire agreement, signed in the Kremlin before the elections, was blown apart this week as separatist fighters launched a ferocious assault on the regional capital of Grozny, killing dozens of federal troops and civilians. Unless Mr Yeltsin is prepared

to countenance a humiliating

Tall order for a tired man

Russia's president will need all his powers of recuperation to

push on with political and economic reform, says John Thornhill

Continued fighting in Chechnya will not only be a recurring nightmare for Russia's shambolic army. It is also likely to have profound political repercussions: it will alienate liberals who reluctantly backed Mr Yeltsin in the presidential elections and antagonise foreign governments on whom Russia is still dependent for financial support.

he slaughter of young conscripts will again become an emotive rallying cry for the communist opposition, which still holds sway in Russia's parliament despite its defeat in the presidential elections. The communists retain the power to block the formation of a new government and frustrate much of Mr Yeltsin's legislative

Since the elections, Mr Yeltsin has adopted a conciliatory approach towards the communists, hinting that he may include some of their repre tives in his new administration. But the communists are trying to regroup their forces in a more

broadly-based National Patriotic Union and may not be willing to to get drawn into a legislative

quagmire in parliament given the decisive steps they need to take to stabilise the volatile economy. To avoid a budgetary crisis later this year, the government must move fast to increase federal tax revenues. They reached only 63 per cent of their targeted level in the first six months of

At the same time, there will be great demands on Mr Yeltsin to deliver on many of his lavish preelection spending promises. Russia's coalminers are already threatening a national strike, ance, the monthly inflation rate

demanding that their delayed wages be paid in full. And many troubled Russian banks are pleading to be bailed out.

Hard-pressed regional governors are also likely to scream for more cash before they are forced to contest important regional elections this winter. The International Monetary Fund, which is backing Russia's

economic reform programme, has already indicated its concern about the budgetary situation by delaying the disbursement of last month's tranche of a \$10.2bn (£6.6bn) loan, Russia's fledgling capital markets are also suffering some post-election nerves, further complicating the government's financing options.

In order to push his team forward to address these problems, Mr Yeltsin will have to demonstrate considerable vigour. He will need all his legendary cunning to keep his ambitious subordinates - and potential successors - under control

Mr Victor Chernomyrdin, who is likely to be confirmed as prime minister soon after the presidential inauguration, has barely concealed his antagonism towards Mr Alexander Lebed, the former general and presidential candidate recently appointed as secretary of the influential Security Council.

The danger is that the two men will spend more time scrapping their energies towards a common goal, especially if Mr Yeltsin ceremony in 1896. fades from the scene. These problems may appear

man, but Mr Yeltsin can draw he has been through far worse. The economy may still be in a fragile state but many of the big battles have already been waged and won. The government has privatised swathes of state-owned industry and largely liberalised its foreign trade regime. Under the central bank's rigorous guid-

has been cut to just 0.7 per cent in July and the rouble has been held steady.

As long as that firm monetary

grip is maintained, Russia could soon enter a virtuous circle of falling interest rates, increased investment, and the first real economic growth this decade. An expanding economy would con-siderably ease the social strains that are still racking Russia.

In a sign that he is serious about pursuing a reformist agenda, the president has already appointed Mr Anatoly Chubais as head of his presidential administration, which helps both to devise and to supervise government policy.

One of the main architects of Russia's economic reforms and a skilled administrator, Mr Chubais could play a critical role in driving through needed changes. Mr Yeltsin also appears to be

forming a government of mainly reformist hue having already purged his entourage of its most reactionary elements before the second round of the presidential elections. These ministers may not share the "market romanticism" of early economic reformers but they could prove all the more pragmatic for their lack of When he emerges in the Krem-

lin for his inauguration, Mr Yeltsin may reflect on the events of a century ago when the young Russia's last tsar in a glittering The early years of Nicholas II's

reign were filled with promise as daunting to an old and ailing the economy grew strongly and the country made halting steps comfort from the knowledge that towards establishing a less authoritarian political regime. But all was destroyed in illconceived wars which ultimately sparked the communist revolution. Russia's modern-day tsar will want to be remembered for his political and economic reforms, rather than see his achievements tarnished on the battlefields of Chechnya.

BSERVER

Bounced Czechs

A row over money has taken some of the fizz out of the Olympic spirit among members of the Czech team of athletes who won 10 medals between them in Atlanta - four gold,

three silver and four bronze. Athletes were promised before the Games that they would receive Kcs600.000 for every pold medal won, Kcs350,000 for silver and Kcs250,000 for bronze. Their unexpectedly high medal haul landed the Czech Olympic Committee with a bill for Kcs4.45m. But cancelst Martin Doktor.

who won two golds, has been told by an embarrassed COC

that he will get only Kcs300,000 committee doesn't have enough money to give everybody their full prizes, according to a spokesman, because sponsors failed to come up with all the money they promised. Comparisons have been made with the largesse bestowed upon the Czech football squad after it reached the final of Euro 96. The footballers got Kes1.8m each for their efforts.

Newspapers are clamouring for Doktor, who says gotting to the Games cost him Kcs450,000, to be given his due. The daily Miada Fronta Does pointed out

how the communist-era squads were all treated with scrupulous even-handedness, in the spirit of socialist brotherhood.

withdrawal, it is not easy to see

Chinese puzzle

The fluency of "green" campaigners can often be halted with one question: what should be done about China? Pressure groups are often torn between wanting China to curb its burgeoning pollution, and hesitating at putting obstacles in the path to prosperity for some

of earth's poorest people.

Greenpeace Business, a newsletter from the environmental group, exemplifies this dilemma. "The Greenpeace goal is that the people of China would share the benefits of a clean environment without forfeiting necessary development and attainment of decent standards of living for

their people." Ah so. And how will this be done - particularly on the energy front? The newsletter, which has been controversial within Greenpeace for recommending "dialogue" with

big business, is equivocal. On the one hand, it talks of chatting with local Chinese officials about the production of "ozone-friendly" fridges. Fine most Chinese do not have a fridge, but if people are going to buy one, no bad thing if it is

ozone friendly. It is a shame that Greenpeace does not tell us whether their preferred brand

On the other hand Greenpeace, fresh from its triumph in preventing Shell scuttling the Brent Spar oil platform at sea, is of course reinctant to surrender its favourite role of David against Goliath. In the same article, it. duly recounts the tale of how 70 ese soldiers boarded a Greenpeace ship protesting against nuclear testing For all the discussions and

roundtables, the suspicion is that green organisations will continue to find their power base depends on confrontation rather than consensus.

Indi-ah

If you marry the half sister of Jemima Goldsmith, Sir Jimmy's . daughter, you can't really expect to avoid the attentions of the

So Francis Pike, who works in India for Hong Kong-based investment bank Peregrine Securities, no doubt takes a sanguine view of his cameo role in the August issue of British

The focus of the article is his spouse, India-Jane Birley, an artist who chais with Jemima regularly to "compare notes on the dramatic changes that their husbands have brought to their lives". The pair live in a "light airy" flat in downtown Bombay that sounds achingly comme il faut. "In the cooler season they sit on the veranda to eat breakfasts of papaya and breadfruit and crispy American bacon, to talk and entertain or play backgammon."

While India Jane was engaging in "several lengthy love affairs" after her first marriage had ended, "Francis was busy making his fortune in Asia" One wonders what his Hone Kong bosses will make of the next sentence about his describing himself as a 'financial speculator". There are few parts of the world where it is

wise to label oneself thus. Even in Bombay's increasingly heady climate, it may raise a few evebrows.

Minority interests

■ It seems, from yesterday's government report on ethnic minorities in Britain, that the country's future cricket success lies in the hands of its Pakistani and Bangladeshi communities. Men from these ethnic groups are three times as likely to play cricket as those from any other. The only leisure activity pursued with passion by everyone is TV. Alas, synchronised watching is

not yet an Olympic sport.

Financial Times

100 years ago

Chili Telephone The ordinary general meeting of the Chili Telephone Com-pany was held yesterday in the City of London under the presidency of Mr. George Keith, chairman of directors. The chairman said the business of the company had made considerable progress in the past year. The gross reveper cent on the previous year, ers had increased by 287. On the other hand, the general expenses showed a marked duction. The net profit for the year was £8,551 as against the year was 20,001 do against 26,013 in the previous year. It was proposed to pay a divi-dend of 4 per cent per amoun.

50 years ago Five Directors Resign

Col. Allan A. Magee, the presi-dent, and four other directors of Barclays Bank (Canada) have resigned from the Board because of "a difference of opinion with the parent insti-tution in England on fundamental policy." It is stated in financial circles in Montreal that the crisis arose over the granting of a loan to one of Canada's largest industrialists for the purpose of expanding his business. As a result of the refusal, the industrialist transferred his account to another bank, which granted him a loan.

Thursday August 8 1996

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On-board electronics will access the Internet Germany

IBM, Mercedes in deal to develop car systems

By John Griffiths

International Business Machines, the world's largest computer group, and Mercedorating to develop vehicle electronics networks that will manage mechanical functions and provide access to the Internet.

The companies said the integrated electronics for trucks and cars would use network computing concepts to access the Internet, satellite navigation systems, traffic and other data to be provided by future "intelligent" information highways and even e-mail and fax transfers. The same electronics net-

works would simultaneously be capable of controlling engine functions, transmission, lighting and most other operations within the vehicle. Mercedes-Benz said yesterday.

The collaboration takes IBM into in-vehicle computing systems for the first time. It

By Jonathan Wheatley

Brazil yesterday unveiled a

plan to restructure the coun-

try's debt-burdened state

banks in a move seen as part

of an assault on mounting pub-

The initiative, in the form of

a presidential decree, could

end an impasse over the future

of Banespa, the São Paulo

state bank, which has

advanced about \$18bn in now

doubtful loans to the state gov-

ernment, its controlling share-

holder. Other state-controlled

banks have bad loans of up to

eral Treasury to provide funds

to help Brazil's 27 state gov-ernments privatise their

banks, or liquidate them,

transform them into develop-

ment agencies or merge them

with other banks. It also

allows the Treasury to take

ernments to their banks and.

in some cases, provide other

August holiday, during which

confidential objectives were

set for expenditure levels in

each of the different ministries

for 1997. More detailed infor-

mation on the budget will be

circulated during September.

Europe today

Sunny periods are expected in the

Continued from Page 1

The decree allows the fed-

in São Paulo

with Mercedes on vehicle man-

ufacturing systems. The partners claim that the electronics networks will lead to significant time and cost savings in the design, development and production of new cars by using standardised hardware which would not require changing through successive model generations.

Although existing automotive electronics can perform these tasks individually or in groups, the IBM-Mercedes partnership will create an integrated control system, comprising modules with standardised interfaces that can be configured quickly and cheaply for a broad spread of

"As a result Mercedes-Benz will not have to develop a new electronic systems for each new automotive model. Instead, we shall be able to reuse components from model to model, reducing costs and speeding the design and manu-facturing process", said a spokesman. Although Merced-

financing to save the banks

minister, said the move would

eliminate "a source of pres-

sure" on the country's

finances by reducing the pres-

ence of state governments in

A finance ministry spokes-

man said it was not possible to

estimate how much money the

Treasury would spend on the

programme as this would

depend on individual requests

for assistance from state gov-

ernments. The Treasury would

finance the programme by issuing bonds and passing the

funds raised to state govern-

ments; the cost of the pro-

gramme would be limited to

The ministry stressed that

while the new measures would

increase the level of federal

debt, they would cut total pub-

lic debt by helping to end past

practices by which state gov-

The banks were often used

The Matignon said that, in

spite of the cuts, the govern-

ment was committed to ensur-

ing that priority would remain

helped employment, the most

disadvantaged and a restruct-

uring of the education, defence

and justice systems.

areas of spending that

France proposes substantial cuts in public spending

nately from their banks.

capitalisation costs.

the banking industry.

Mr Pedro Malan, finance

Brazil plans to bail out

debt-laden state banks

es-Benz will be the initial beneficiary of the project, both the German car maker and IBM expect the systems to be widely adopted by other

The collaboration, the first involving automotive components between the two groups, has been under discussion for months, with agreement reached at a meeting between Mr Helmut Werner, Mercedes' chairman, and Mr Louis Ger-stner, IBM's chairman and Olympic Games in Atlanta.

Existing component suppliers to both companies including Robert Bosch and Siemens in the case of dercedes-Benz – are expected to be involved with the development programme. The first cars featuring the jointly developed technology are unlikely to appear until early in the next century. The project will be based in southern Germany, where both Mercedes and IBM have research

by their controllers to finance

lavish public spending programmes. Their financial prob-

lems increased with the intro-

duction of a stable currency in

July 1994, which cut easy earn-

Mr Malan said the initiative

was part of wider efforts to cut

public debt by privatising state

assets. Several state govern-

ments have begun privatising management of highways and

other services - São Paulo

state is preparing to sell elec-

ings from high inflation.

It found more than half the population had changed eating habits since March when the BSE crisis began, with 15 per cent of Germans refusing to eat beef and 38 per cent

eating far less. More worrying is that women, who tend to make the shopping and cooking choices, have deserted beef in greater numbers than men. More than 58 per cent of women have changed their eating habits compared with 47 per cent of men, and 17 per cent of women refuse to eat beef com-

Since March, beef farmers

tricity assets worth an estimated \$20hn. São Paulo reached an agreement with the finance ministry last year under which the

federal Treasury would assume half its debt with Banespa in exchange for assets including railways and airports. Since the agreement was reached, however, unpaid interest has increased the state's debt from \$15bn to

Mexico counts the cost of sell-

budget minister and govern-

ment spokesman, said the

reductions would entail a

reduction of 6,500-7,000 public

sector workers, largely

through not replacing those

The prospects of such cuts

who retired.

FT WEATHER GUIDE

in barbecue campaign to lure beef defectors

By Judy Dempsey in Bonn

German farmers will today resort to a new tactic in attempts to convince the country's consumers that beef is safe - holding barbecoes.

At 50 parties, farmers will bring their own produce to be barbecued, and local people, for a "nominal" fee, will be encouraged to talk about meat and savour the sirioins.

The campaign will open in the north German resort of St Peter-Ording in Schleswigfarmers last week burned the UK flag in protest against the continuing controversy over BSE, or mad cow disease

The get-togethers, each to cost about DM5,000 (\$3,378), are being organised by Ger-many's Farmers' Association (DBV) and the Central Marketing Board of the agricultural industry (CMA). They are reacting to the sharp fall in beef consumption - highlighted again yesterday by the release of a study by the respected Allenbacher opinion poll institute.

nared with 18 per cent of men.

The Germans want to know where the beef is coming from," said Mr Bernhard Littke Entrup, a DBV spokesman. "Maybe when they see it is locally produced, they will be convinced German beef is

have been receiving between DM200 and DM300 less than before for each animal slaughtered; they hope an increase consumer demand will lead to a recovery in prices. "We

unrest could be triggered in

the autumn notably in the

school and university system

the new budget would hurt

growth and increase unem-

The socialist opposition said

which is likely to be hit.

offs, Page 15 | fred Hauser of the CMA.

Mr Alain Lamassoure, the have raised fears that social

THE LEX COLUMN

Stet's wrong number

government has ended years of procrastination over selling its Stet stake. The bad news is that it has wasted the opportunity to alter the telecoms group's convoluted structure before the sale. No wonder Stet's shares fell 4 per cent yesterday. After all, the government did not even mention the possibility of merging Stat with its Telecom Italia subsidiary, which would have stripped out substantial costs and reduced Stet's 35 per cent discount

to net asset value. Still, the impness of the government's proposals was hardly surprising. And at least, by setting a timetable for selling Stet's publishing business, the government should be able to create sufficient momentum to overcome resistance to throwing out other peripheral sets such as telecoms manufacturing before selling the state's 64 per cent stake. This will undoubtedly create shareholder value - a highly desirable precedent.

However, probably the greatest concern for potential investors in next year's L16,000bn (\$10bn) Stet share sale, is the government's intention to form a nocciolo duro, or hard core of shareholders, for Stet. This rekindles memories of the Banca Commerciale Italiana and Credito Italiano privatisations. Milanese merchant bank Mediobanca and its allies took control of both banks and minority shareholders have had a horrible ride ever since. And guess what? Mediobanca happens to be a key adviser on the

Standard Chartered

Standard Chartered's recovery has been spectacular; in 18 months the shares have outperformed the market by more than 100 per cent. And there was nothing in yesterday's interim results to suggest this is overdone; a thumping 31 per cent increase in trading profit is respectable by any standards. Why, then,

did the shares fall 2 per cent? Doubtless profit-taking is one reason. But if investors want to take profits, it is partly because they take too Little Englander a view of this stock. Compared with UK banks - with which Standard has nothing other than an address in common - a price/earnings multiple of 12 times this year's earnings may look racy. But by the standards of Asian banks it is anything but. Moreover, UK investors seem to have been unnerved by Standard's tunities, particularly capital-hungry

FT-SE Eurotrack 200: 1701.9 (+8.4) Stat Steep of caretaine to the Count arder

warning that, although it will keep its cost-income ratio falling, it plans to spend more money expanding its business. In mature banking mar-kets like the UK, such a single-minded investor focus on costcutting is justifled. But Standard's situation is fundamentally different; it enjoys a remarkable franchise in fast-growing markets. Frankly, if new investment can yield anything like Standard's current 28 per cent post-tax return on equity, the more

Two years ago sluggish automotive markets would have stopped GKN in its tracks. But the timely purchase of Westland, the helicopter maker, and the rapid development of its Chep pallet hire business have transformed the group. As a result, first-half earnings grew 14 per cent at a time when car production was flat in Europe and falling in the US.

Prospects look promising. Deliveries of armoured cars and helicopters will accelerate in the second half and Westland has a £4bn order book stretching to 2008, even excluding lucrative support work. Chep is growing at 15-20 per cent a year and faces no serious competition. There is a huge opportunity to expand geographically and into new products such as plastic crates which could replace cardboard boxes and polystyrene packaging. Even the automotive division has potential in the US to improve margins - probably half the 9 per cent the group manages in Europe - and to move into areas such as pressings and fabrications. Those oppor-

Chep, will swallow a good part of GKN's £252m of net funds. But, given strong cash generation, the group will have the firepower to take part in any restructuring of the European defence industry or buy out Brambles, its joint venture partner in Chep, if the opportunity arises. The shares stand at a slight price/earnings premium to the market average, having doubled in the past two years. Today's less cyclical GKN can easily sustain such a rat-

IJK inflation Here is an intriguing fact; accord-

ing to the Bank of England, infla-tion expectations implied by three, five- and 10-year gilt prices have fallen since the chancellor controversially cut interest rates in June. Still, Mr Kenneth Clarke would be unwise to conclude that investors share his cheerful confidence that inflation is under control Rather the debate has moved on. Few doubt that this chancellor is playing politics with the economy; the real question is how decistvely the next government will move to clear up the mess. And if gilts are anything to go by, investors' scepticism on this score is gradually diminishing.

Even so, it would be unwise to underestimate the scale of the task the next government will face. It could still be the best part of a year until the next election - plenty of time for the current boomiet in domestic demand to gather pace. And whatever the Bank may hope, the odds must be on further loosen ing of both fiscal and monetary policy in the meantime. While the Bank is doubtless right, therefore, that a small precautionary interest rate rise now would be a good idea. its warning that a bigger rise will otherwise be needed later is more to the point. So is its well-founded worry that fiscal policy will have to be tightened too.

Of course, if the argument between the chancellor and the Bank boiled down to a matter of a quarter-point on rates, it would not matter too much. The real debate whether the current objective of policy should be to stoke up or to cool off the strength of consumer demand - is more fundamental. Worse, the friction looks set to grow, either because the chancellor cuts rates or taxes further, or because evidence of a boomlet blossoms. For gilts, such growing tension looks an unnerving prospect.

really are hoping this will be \$18bn. Research Excellence



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LOW Spain. Rain is likely near a frontal zone from southern Scandinavia to 1000 cloudy. Spain will be sunny although there will be some showers in the north. Italy, Greece and Turkey will have a lot of sun but showers are likely in the Balkans, Showers will occur around the Black Sea. Russia will be partly cloudy. Scandinavia will be fair with abundant sun over Norway and some cloud over Sweden and Finland. Five-day forecast More cloud and rain will approach the British Isles and western Europe. This band of rain will the weekend. High pressure over Scandinavia will expand towards Russia. Southern Europe and northern Africa will stay surmy. main main sun sun sun suir conser fair sun sun sun 26426319262222223193472273252228 29 15 25 37 24 32 32 25 18 26 33 28 29 22 26 20 31 12 23 28 Hengoon Hengoon Hengoon Hengoon Seoul Singepore Varies Vienna Warsaw Washingk Wellingtor Winnipag Virnipag Virnipag Virnipag Athens Atlenta B. Aires B.ham Bangkol More and more experienced travellers Lima Lisbon London Lufthansa

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PANIES & MARKETS

Thursday August 8 1996 THE FINANCIAL TIMES LIMITED 1996



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IN BRIEF

Christiania falls at operating level

First-half operating profits fell sharply to NKrl.11bn (\$173m) from NKrl.82bn at Christi-ania Bank, Norway's second largest banking group, because of a drop in the level of gains achieved by writing back provisions against loan losses from the early 1990s crisis. Underlying earnings were significantly stronger, buoyed by the robust Norwegian economy. Page 14.

Akzo biames fall on weak textiles Akzo, the Dutch chemicals and pharmaceuticals group, pointed to a decline in Europe's textiles industry as the main reason for a 44 per cent fall in the group's second-quarter net profits.

Stora upbeat despite falling profits Stora, the Swedish forestry products group, held out the prospect of an end to the slump in the sector, saying that orders were increasing again and prices for most paper grades had reached bottom. Half-year profits trimbled 60 per cent from SKr4.1hn to SKr1.6hn (\$243m) – about SKr200m below market forecasts.

YPF bests forecasts in second quarter Higher crude oil prices and an improved performance by its Maxus subsidiary helped YPF, Argentina's hydrocarbons group, achieve better than expected second-quarter profits of \$223m, marginally above the \$219m in the same period last year. Page 15

CU considers E Europe expansion



Commercial Union, the UK composite insurer, is considering expansion into Russia and the Czech Republic as part of a strategy of reducing its reliance on an increasingly tough UK market. The news emerged as Mr John Carter (left), chief executive, unveiled a smaller than expected fall in halfyear operating profits from £248m to £216m after a £56m increase in US

and UK weather claims. Page 16 **Rurotherm reinstates ousted chief** Eurotherm, the UK industrial controls manufacturer, bowed to pressure from institutional shareholders by reinstating Mr Class Hultman, the chief executive ousted in a boardroom battle last month, and appointing Sir James Hann, for-

mer chairman of Scottish Nuclear, the generator privatised recently as part of British Knergy, as

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Companies	in this	legue
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Dresdner rises 44% in first half

raised operating profits 44 per cent to DML42hn (\$956in) in the first half of 1996 with the help of buoyant securities business and a strong firsttime contribution from Klein-wort Benson, the UK investment bank acquired last year.

be sustained. However, a "marked increase" – well over 10 per cent - was expected for the full year.

German bank lifted by securities arm and first-time contribution from Kleinwort Benson

about German banking mergers, he said it was hard to imagine takeovers by the country's big banks. Allianz, the insurer which owns about 20 per cent of both Dresdner and the smaller Bayerische Hypotheken-und Wechsel-Bank, had put no pressure on

200 of Dresdner's 1,200 domes-

tic branches would open late from November, when longer shopping hours began. Dresd-

per cent to DM3.4bn, with comfund business. The integration of Kleinwort Benson Benson's first-half operating profits were about the same as

was 20 per cent, the same as that of the whole Dresdner Bank group, against 14.4 per cent in the first half of last

cent higher at DM382m, also reflecting Kleinwort Benson's

from dealings in securities, DM66m from foreign exchange and precious metals and DM190m from derivatives.

The Kleinwort Benson acqui-sition also pushed up costs by 16 per cent to DM4bn; without this, they rose 2.6 per cent. Staff costs rose 0.6 per cent. Mr Sarrazin said Dresdner had reduced domestic branch employment by 11 per cent since the end of 1998.

Loan loss provisions were 9 per cent higher at DM509m. while profits from securities in the liquidity portfolio jumped 53 per cent to DM366m through sales of bonds and of industrial stakes shareholdings of less

surpasses forecasts

By George Graham,

Standard

Chartered

Standard Chartered, the London-based international bank, capped a season of glit-tering bank interim results yesterday with a stronger than expected increase in pre-tax profits to £448m (\$694m) in the six months to June 30, up from

£336m a year earlier. For the last five years Standard Chartered has been the object of almost constant bid speculation, and its strong network in the fast-growing Asia-Pacific region still makes it an attractive potential target.

But in spite of a 13p drop yesterday to 699p, its soaring share price has put it out of reach for all but the most ambitious bidder. Standard Chartered officials, determined to remain independent, note that even with no takeover premium to today's share price, anyone buying their bank would have to write off

more than £5bn of goodwill. Excluding exceptional gains. including a profit on the sale of its private banking business to Swiss Bank Corporation, Standard Chartered's trading profits rose 31 per cent to £402m. The group's net revenue increased 15 per cent, as total lending advanced 15 per cent and the average interest margin widened from 3.8 per cent to 8.5 per cent.

Operating expenses rose by less than 4 per cent to £538m. As a result, the ratio of costs to income fell to 54.7 per cent from 60.7 per cent.

Mr Malcolm Williamson Standard Chartered's chief executive, said the group wanted to bring that ratio down even further, even while investing in continued expansion "A 55 per cent ratio is sub-50 ratio has to be a medium term strategic impera-

tive." Mr Williamson said the current rate of growth in mortgage lending - up 25 per cent in the first half - was unlikely to be kept up, but there was no reason why the bank could not maintain its high growth rates in other segments of the personal banking market.

The bank announced a 31 per cent increase in its interim dividend to 4.25p, on earnings per share of 27.3p, excluding disposal profits, up from 20p a

Dresdner Bank of Germany

The result, which compared with DM984m a year earlier, was above expectations, but Mir Jürgen Sarrazin, chairman, said the growth rate would not

Commenting on speculation

Cathay

Pacific

lifted by

shake-up

By John Ridding in Hong Kong

Cathay Pacific Airways, the

Hong Kong-based carrier, yes-terday announced net profits

of HK\$1.65bn (US\$214m) for

the first six months of the

year - a rise of 67 per cent

over the 1995 performance, with results lifted by a

Stripping out the excep-

tional item, the figures revealed a relatively modest

rise of 12.5 per cent. The air-

line cited adverse currency

rates and higher fuel costs as

constraining factors, but pre-

dicted a stronger performance in the second half of the year:

Hong Kong's aviation sector.

The complex reorganisation saw Cathay sell a 12 per cent

stake in Dragonair to CNAC,

the commercial arm of the

given prevailing conditions

reduced uncertainty in Hong Kong's aviation sector ahead

of next year's handover to

lysis believe that Dragonair.

performance given prevailing market conditions. The weak-

capacity and increased compe-

tition. Elsewhere, passenger

the results as largely in line

with forecasts.

The exceptional profit was the result of restructuring in

HK\$541m exceptional gain.

the two to merge and no talks were being hald. But he expected further restructuring by German banks, especially to cut costs and improve service. About

ner would do this mainly with part-time staff; it did not intend to pay a premium for late working.

Net interest income rose 8

mission profits 45 per cent higher at DML9bn, helped by strong securities and mutual accounted for more than half

in the whole of 1995. Its pre-tax return on equity

Dresdner's own-account trading profits were 17 per contribution.

This comprised DM126m

Adidas weighs in with 56% leap



Field day: shot put gold medal winner Astrid Kumbernuss from Germany (left) and women's 200m Olympic champion Marie-José Perec (far right) of France, two of the 6,000 athletes Adidas says wore its clothing in Atlanta

By Wolfgang Munchau in Munich

San Officentrolled Swire seems reduced its holding in Lating from 52.6 per cent to the per cent. Citic Pacific, the Hong Keng arm of China's farghip investment company. 56.8 per cent increase in pretax profits to DM249m (\$167m) for the first half of the year, underlining the German sports enode menufacturer's robust recovery from its financial difficulties in the early 1990s.

DM160m a year earlier, came in ahead of market expectations and reflect the recovery in the company's US operations and strong growth in the high margin textiles

However, Adidas's share price fell vesterday on profit

level, the shares are trading at and running shoes. almost twice the price offered Mr. Robert Louis-D Addas yesterday reported a to shareholders when the company was floated in the

autumn of last year. Net sales during the period increased 28.3 per cent from DM1.75bn to DM2.24bn. In the second quarter, Adidas increased turnover 39.5 per The profits, up from cent to DML05bn and pre-tax profits 25.7 per cent to DM78m. The strongest sales growth in the second quarter occurred

in North America, where Adidas reported sales of DM257m, an increase of 46 per cent. after overcoming difficulties in its US distribution. Adidas said the profitability

taking, ending 30 pfennigs increase was influenced by

chairman, said the results confirmed "the momentum of the brand which was forther reinforced by our dominance in soccer at Euro 96, the Atlanta Olympic Games and other major competitions".

Adidas claimed 6,000 athletes, including 200 medallists, had worn its outfits at the

Olympic Games. Mr Louis-Dreyfus said that Adidas's main marketing drive in the second half would focus on the expansion of a new sports shoe design into categories including basketball.

rose 40.4 per cent to DM184m.

lower at DM124.60. At this strong sales growth in clothes Net earnings per share increased from DM2.89 to Mr Louis-Dreyfus said the

company's mid-year order level was 34 per cent bigher than in 1995 He said the company was aiming to increase pre-tax profit margins, now 11.1 per

cent, to 13 per cent by the end of 1998. Europe remains Adidas's main market, accounting for

sales of DM1.52bn, an increase of 31.9 per cent, with particularly strong performances coming from the UK, Sweden, Norway and Spain. North American sales were DM483m, Net income in the first half up 17.8 per cent in the six year earlier.

UK engineering group hints at Peter Sutch: good performance acquisition drive raised its stake in Cathav from 10 per cent to 25 per The April reshuffle has

By Tim Burt in London

The incoming chief executive of GKN, one of Britain's largthe ambitious regional carrier, est engineering groups, yestermay ultimately emerge as a day hinted at a more aggresrival to Cathay. Mr Peter Sutch, Cathay Pacific's chairman, said the sive acquisition strategy following strong growth in the company's cash performance. Mr CK Chow, headbunted figures represented a good earlier this year from BOC, the industrial gases company, market conditions. The weak-ness of the year reduced pas-senger yields, particularly in north-east Asia, while passen-ger load factors in south-east Asia were reduced by excess suggested that GKN's balance sheet was strong enough to sustain a heavier investment programme at the automotive components, industrial ser-

vices and defence equipment

He was speaking as GKN yields improved. announced increased pre-tax profits of £181m (\$282.38m), up Overcapacity also affected the airline's freight business, with revenues climbing by from £162.6m, on sales up from just 4.8 per cent to HK\$2.68hm. £1.67bm to £1.73bm in the six The performance was below months to June 30. Mr Chow does not officially budget, but improvement is

STOUD.

expected in the current half.

Total strine operating costs become chief executive until January, when Sir David Lees rose from HK\$12.18bn to becomes non-executive chairman. The Hong Kong-born HK\$13.18bn, partly reflecting so increase in expenditure on fuel. Cathay said that fuel executive yesterday praised Sir David's record at GKN, which prices were significantly he said had become more higher than for the first half focused and better managed under his stewardship. "There of 1995, although the impact was offset by the company's is one thing we could change we are now in a stronger posihedging policy. Overall, turnover in the first tion to grow both organically

six months climbed 7 per cent and by acquisition." to HK\$15.22bn. Earnings per The company is thought to share rose to 56.2 cents, from be considering acquisitions in 34.8 cents in the correspondthe defence industry to bolster its interests in helicopter and armoured vehicle production. ing period. Excluding excep-tionals, earnings per share After deducting advance rose 9.9 per cent to 87.7 cents. payments for such defence The interim dividend was equipment, the group's cash raised by 4.5 per cent to 11.5 pile rose from £223m at the end of last year to £252m, while Industry analysis described

operating cash flow jumped

from £125m to £141m.

Strare price relative to the FT-SE-A All-Share Index

Strong defence sales and rising demand for GKN's industrial services helped lift profits on continuing operations from £159.5m to £175.8m.

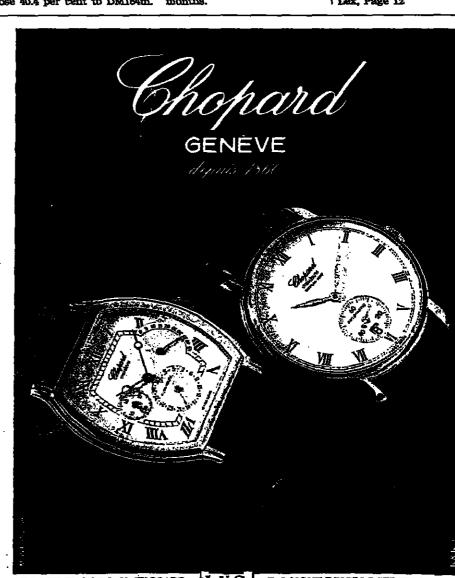
In the aerospace and special vehicles division, profits rose from \$23m to \$38m following increased deliveries of armoured vehicles and helicopters manufactured by the group's Westland subsidiary. Further sales by Westland

are expected by analysts to contribute to full-year profits of about £360m-£370m. In industrial services, profits rose from £26m to £37m as the group enjoyed the benefits of a

£90m investment to increase

its distribution activities in

Europe and North America. Earnings per share rose from 28.1p to 31.7p, paying an increased interim dividend of 9.6p (8.75p). GKN's shares, which have risen sharply in recent days, fell 3p to £10.25.



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COMPANIES AND FINANCE: EUROPE

Write-backs distort Christiania result

in Stockholm

Profits at Christiania Bank, Norway's second-largest banking group, fell sharply in the first half, but the result was distorted by the continued after-effects of the loan-loss crisis of the early 1990s. Underlying earnings were significantly stronger, buoyed by the robust Norwe-

The first of Norway's big banks to report for the period, Christiania - which

Stora, one of Europe's

leading forestry products

groups, yesterday held out

the prospect of an end to the

downturn in the sector, saying that orders were increas-

ing again and prices for most

paper grades had reached

shrugged off a 60 per cent

collapse in half-year profits from SKr4.1bn to SKr1.6bn

(\$242m) - some SKr200m

below market forecasts - and said the business cycle

had turned upwards, bol-

stered by inventory stabilisa-

Mr Lars-Ake Helgesson.

chief executive, said orders

improved "palpably" at the

start of the third quarter and

prices would not fall further. This assessment included

By Robert Graham in Rome

Iri, the Italian state holding

company, yesterday set in

motion the process to permit

Stet, the telecoms group

which it controls 62 per cent,

to hive off Seat, its lucrative

lri's move followed a board

meeting held to discuss the

government's decision on

Tuesday to press ahead with

the long delayed privatisa-

tion of Stet. The sell-off of

Stet, which has a market

capitalisation of almost

yellow pages business.

tion and rising pulp prices.

By Greg McIvor in Stockholm

in the first half fell from NKr1.82bn at the same stage last year to NKr1.11bn (\$173m).

The fall was caused by a drop in the level of gains achieved by writing back provisions against loan backs after provisions for new loan losses totalled NKr105m in the first half, compared with NKr966m in the same period last year. However, the bank had long warned that the phenomenon of write-backs -

Stora shrugs off 60% fall

"Things look better across

almost all our product lines.

We believe that inventory

rundowns have been com-

pleted," Mr Helgesson said. But he was at pains not to

raise hopes of a rapid turn-

around, saying that growth

would depend largely on eco-

He also warned of a need

for further consolidation in

the industry, suggesting

rationalisation would con-

tinue across the market,

including Sweden. Stora's

shares rose SKr0.5kr to

Stora, the first of the big Scandinavian forestry

groups to report first-half

fixed for between February 1

The Milan bourse reacted

negatively yesterday to the

government's announce-

ment, with shares in Stet

and of its other quoted com-

panies falling back after the

sharp gains of recent days.

Analysts voiced disappoint-

ment at the way the govern-ment had provided little

detail. They believed this suggested the privatisation

plans had to take account of

and political parties to the

and March 31 next year.

SKr85kr yesterday.

nomic developments in

and had its price cut by 5 per cent in the UK recently. half. It said price rises in pulp would help lift prices of

and sees signs of upturn

gains in the last year for other Norwegian banks was not sustainable. The markets had fully expected the write-backs to diminish and Christiania shares lost only NKr0.10 to NKr16.30.

Profits before write-backs rose, meanwhile, from NKr853m last time to NKr978m in the first half. In the second quarter, profits before write-backs increased from NKr401m to NKr480m. Christiania attributed the improvement to the strength

Mr Mads Asprem, paper

and packaging analyst at

Morgan Stanley in London, said: "The fact that LWC

prices have flattened is a

very good sign because we thought they still might be falling." He expected pulp.

fine paper and packaging

grades to recover well in the fourth quarter, and predicted

Stora's sales fell from

SKr29.4bn to SKr24bn.

reflecting a 12 per cent

decline in volumes and the

stronger krona, which depressed turnover by

The hardest hit area was

The first part of the priva-

tisation process, agreed by

the government and dis-

cussed yesterday by the Iri

board, is the splitting off of

Seat. At present Seat, with sales of L1,795bn (\$1.18bn) in

1995 and employing 2,000

people, is merely a division

of Stet. It will thus require

an extraordinary sharehold-

ers' meeting of Stet in Sep-

tember to endorse the break-

up. Although Seat's contri-

bution to Stet's 1995 profit of

L1,459bn has not been fully

revealed, it is understood to

ike the attic of a

thrifty Swiss burgher,

Nestlé's huge product

portfolio is crammed with

possessions. But the genera-

tion moving into leadership

are showing no signs of

wanting to shed more peripheral businesses.

Admittedly, Nestlé sold its

wine business last year for

an undisclosed sum. But

what British vinegar. Ger-

man pork and Italian crisp-

bread have to do with

Nestlé's core products of

coffee, confectionery, min-

eral water, milk, ice cream and pet foods is a mystery

to many analysts and

Just five products account

for 35 per cent of Nestle's

European sales, 10 for 50 per

cent and 18 for 75 per cent.

according to an analysis by

through more than 20 other

products making up the final

only minuscule market

shares, geographic spread or profit in the greater group

Money is not a problem: free cash flow (after divi-

dends and renewal of fixed

assets) will be SFr1.3bn

Iri takes first step in privatisation of Stet

or three years.

SKr1.7bn.

coated magazine paper pulp, which swung from a (LWC) were weak, but a SKr927m operating profit to

more positive trend was a SKr427m loss on sales

in the first half from NKr1.68bn to NKr1.7bn, while non-interest income was up from NKr634m to NKr768m.

On the cost side, Christiania said non-interest period of deep loan losses. expenses rose from NKrl.46bn to NKrl.49bn. But the ratio of costs to income, excluding gains/losses on securities, fell in the second quarter from 65 per cent to 62 per cent. Although net write-backs

PROFILE

Historic P/E

SK:16.70

Printing paper sales fell SKr5.5bn to SKr3.8bn, pushfrom SKr7.9bn to SKr7.4bn ing operating profits from

om SKr1.1bn to SKr1.5bn. SKr4.7bn, on sales of Fine paper sales fell from SKr603m, against SKr1.1bn.

Analysis said the removal of also begun looking at the

amid pricing pressures and

production cutbacks in LWC.

but operating profits rose

from SKr1.1bn to SKr1.5bn.

Seat could raise L3,000bn but

its loss would be keenly felt

Last night the treasury

was preparing a letter of instruction for Iri laying

down precise guidelines for

the Stet privatisation. These

start from the premise that

the state will retain a golden

share and that there will be

a core of stable shareholders.

For a year Stet has been

holding talks with IBM, the

US computer giant, on a var-

ious forms of alliance. The

by Stet.

ing operating profits from

and packaging-paper sales

dropped from Skr5.6bn to

prospects of bringing in

Cable and Wireless of the

The instructions are also

core telephones business

Telecom Italia (cable) and

TIM (mobile) will be kept

together, and will set out

whether or not the various

quoted companies within

Stet will merge. The trea-

sury must also spell out the

timing and options available

UK as a shareholder.

bled from NKr681m to should rise sharply."

expressed surprise at how long the trend of write-back gains was continuing. The second quarter was the sixth duced net write-backs after a

Christiania said in due course there would be a return to "normal" levels of net loan losses. But a spokesman added: "As long as the Norwegian economy performs along the lines it is now, there is no real reason which new loan losses

Akzo slips 4.4% in second quarter

By Simon Kuper in Ameterdam and Jenny Luesby in London

Akzo, the Dutch chemicals and pharmaceuticals group, yesterday pointed to a decline in Europe's textiles industry as the main reason for a 4.4 per cent fall in the group's second-quarter met

Pre-tax profits of F1 482m (\$292m), on sales up 4 per cent at Fl 5.82bn, were in line with analysts' expectations and well received by the markets. Shares reached a day's high of FI 193.00, pefore closing up Fl 1.00 at

Results were also lifted by better-than-expected perent at Fl 1.95bn.

static, as they were in phar-

ogical fertility hormone to

Fl 189.70. Analysts had anticipated a

Fl 200m decline in the group's oral contraceptive sales, following regulators' reports that the group's lowdose third-generation pills increased the risk of danger ous blood clots. In fact, sales fell by just Fl 70m, with "the negative effect concentrated in Germany and the UK," according to Mr Syb Bergsma. management council member.

formance in the coatings division, where operating profits rose by 13.5 per cent to FI 193m, on sales up 8 per

However, this was more than offset by a 72 per cent decline in the fibre division's profits, to Fl 15m. on sales down 5 per cent at F1 888m.

Fibre consumption by European manufacturers had fallen by 15 per cent since last year, Mr Bergsma said. However, the group expected the fibres division, cent of group sales, to break even in the third quarter. In the chemicals division,

second-quarter profits were

Looking ahead, Mr Bergsma was upbeat about Puregon, Akzo's biotechnolbe launched later this year, and Remeron, an antidepressant recently launched in Europe and going on sale in the US this

The group expected full-year profits to be virtually

have been close to a quarter. Italian telecoms group has Lex, Page 12 Nestlé's portfolio of possibilities

NOTICE is hereby given that on August 21, 1996 a partial payment of Many peripheral businesses could be worth more to other owners Cdn.\$104.70 for each Cdn.\$1,000 principal amount of Olympia & York Eurocreditco Limited 11¹.25 Debentures due November 2, 1992 (the

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L25,000bn (\$16.5bn), has been break-up of Stet.

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PROVINCE OF NOVA SCOTIA

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In accordance with the terms and
conditions of the Notes, the invariest
rate for the period 5th August, 1996
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Busilest Trust
Company, London
Agent Bank

APPOINTMENTS

(\$1.07bn) this year, estimates Mr James Amoroso, of Crédit Suisse in Zurich. contact: But managerial focus is, **Toby Finden-Crofts** particularly for a multinational that still gives country managers autonomy. Moreover, lacklustre businesses only blunt Nestlé's efforts to hit demanding NB

group targets such as 4 per cent a year volume growth and a return on capital better than 15 per cent Nestlé argues that products deserve to stay if they contribute reasonable profit with minimal managerial effort. But the size of the underperforming rump is hard to estimate. It could

total as much as 10 per cent

of Nestlé's portfolio, some analysts guess. We do not recognise that Lee, of the US. It has tar- the 1980s gave it a big



Helmut Maucher: guided Nestlé through large acquisitions

figure," Mr Helmut Maucher, geted European processed Nestlé chairman who hands over as chief executive to Mr Peter Brabeck next June. said in a recent interview.
"We always distinguish Goldman Sachs. Thereafter, the portfolio tails off between where we are investing and do not have an adequate return yet, and Most of the lesser items, where there is no hope." The forming the longest tail of second category accounts for any leading food producer, about 5 per cent of sales, have little to recommend them. Typically they achieve

some SFr3bn, he said.
Processed meat is the only large category which Nestlé identifies as one it would consider selling. It contrib-uted operating profits of SF155m on sales of SF11bn in 1995, Mr Amoroso estimates. If these meats, with an operating profit margin of 5.5 per cent, had not been in the portfolio, group margin would have risen from 9.7 per cent to 9.8 per cent last

About 80 per cent of the meat business is in Herta, a German-based husiness, Nestle likes part of the business. such as its higher margin products and chilled distribution chain, but would consider offers for the upstream primary processing and simpler processed meats, such

as sausages and salami. Nestlé has signalled its for Vismara, an Italian producer of ham and other meats. Mr Maucher said

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elling assets is only one tool for shaping portfolios. More important are acquisitions and canny management. Over the past 15 years under Mr Maucher, Nestle has made large acquisitions, such as Perrier of France as part of a SFr3bn diversification into

mineral water, and of Rown-

tree in the UK to double its

meats as a strategic impera-

tive and has been acquiring

companies. Neither company

folio is a trove of small busi-nesses that could be worth

more to other owners. In the

UK, for example, it owns

Gales honey, Sun Pat peanut butter and Sarsons vinegar:

strong niche brands, but in areas where Nestlé has no

In other areas, synergy

may be a valid reason for

keeping something. Buitoni

dried pasta, for example, has

a small and unprofitable share of the Italian market.

But Nestlé bought Buitoni

and built up a range of high-

margin sauces to accompany

Deeper in the Nestlé port-

would comment.

apparent interest.

the pasta.

confectionery business and willingness to sell its meats, to take it into impulsebut the only offer to date is purchase snack chocolates. On management, Nestlé has poured resources into developing chilled foods The most likely buyer of almost from scratch Buying the meat businesses is Sara Chambourcy in France in

became increasingly a commodity business, so Nestlé shifted into higher value enhanced yoghurt, while moving products from the Chambourcy to Nestlé brand.

distribution. But yoghurt

Nestlé is prepared to invest for decades to reach critical mass. Its patient stalking of L'Oréal in cosmetics and San Pellegrino in water is typical. Ice cream and pet foods, however, are the top two products in its portfolio which it has targeted for rapid development. Particularly in Europe, they lack powerful market shares and lag behind the leaders -Unilever in ice cream and

Mars in petfoods. Only in Italy and France does Nestlé have reasonable petfood market positions with 23 per cent and 15 per cent, respectively, making it second to Mars. A new pan-European management team for petfoods, however, is wringing more from the business. Petfood sales rose 14 per cent to SFr413m in the

first half of this year.

Acquisitions will play a part in building petfoods in Europe to complement the number one position it has in the US. Nestlé said it has twice had inconclusive talks with a company it declined to identify, and could well talk to it again.

Competitors believe the target is Royal Canin in France, owned by Paribas, which has an 8 per cent market share and may be worth about FFr800m (\$158m). Acquiring it would make Nestle a credible second to

Such in-fill acquisitions fit the strategy of Mr Maucher and Mr Brabeck to achieve Nestle's overall growth onethird by acquisition and two thirds by organic growth. They pose no financial strain, one London analyst says, but might make the company more aware of the benefits of shedding peripheral businesses.

Roderick Oram

NEWS DIGEST

Hoogovens upbeat in spite of 54% fall

Net profits at Hoogovens, the Dutch steel and aluminium producer, tumbled 54 per cent to Fl 139m (\$83.47m) for the first half of 1996, from FI 303m a year ago. But the shares gained 7 per cent to Fl 61.20 because the fall was smaller than expected, and because the group forecast higher second-half demand. "Stocks held by our customers have reverted to normal levels," it said. Orders had recovered in recent weeks. Mr Hans Bluygers, analyst at merchant bank Kempen, said: "Hoogovens is approaching the turning point." The group forecast F1 142m in net profits before

exceptionals and post-tax charges for the second half, the same as in the first six months. Sales fell 10 per cent to Fl 3.77bn, with steel turnover down 9 per cent to Fl 2.55bn Hoogovens said steel prices fell almost to 1993 levels, "the low point of the previous economic cycle". The division's net profits dropped 54 per cent to F1 193m. But this was "a satisfactory result", due to cost cuts in recent years. Mr Maarten van Veen, chairman, said Hoogovens Steel was "less sensitive to the economic cycle" than in 1993.

Aluminium net profits fell 69 per cent to Fl 25m, due to weak demand, high supply, and low primary metals prices. Hoogovens expects to invest Fl 600m this year, after a period of cutbacks prompted by three years of losses in the early 1990s. But the group aims to cut staff numbers at its ijmuiden steel works by 2,000 to 8,500 over the coming years. Earnings per share fell 57 per cent to

Tabacalera shares tumble

Tabacalera, the Spanish tobacco group which is on the government's privatisation list, took a further battering on the stock market yesterday as a consequence of higher tax levies and an escalating price war. A 3 per cent drop in the share price from Pta5,320 to Pta5,070 brought the fall since tax increases were announced less than two weeks ago to 23 per cent

The market reversal for Tabacalera, where it was a star performer earlier in the year, means a sharp reduction in the government's potential revenue from privatising its remaining 52 per cent stake. At yesterday's closing price this stake was worth Pta97.75bn (\$776m) compared with a peak value of Pta129.18bn in mid-July.

Selling pressure mounted when Tabacalera announced t would not add the tax increases to retail prices on its Virginia-tobacco cigarette brands, including the Spanish market leader Fortuna. The higher levy, imposed along with increases in spirit taxes to make up a government budget shortfall, would normally have raised the price on a Fortuna packet by 20 per cent from Pta200 to Pta240.

Tabalacera holds a de facto Spanish monopoly on retail tobacco products, but there is increasingly flerce competition between brands. Philip Morris of the US has reversed a plan to raise prices on its Chesterfield and LM brands in Spain after the tax change. Higher prices could give a fresh boost to the contrahand trade, which last rear accounted for an estimated 12 per cent of the David White, Madrid Spanish market.

Kvaerner holds inquiry

Kværner, the Norwegian shipbuilding and engineering group, has launched an internal inquiry into how a 20-year-old temporary worker was able to remove thousands of documents from its computer system. The company, which declined to name the employee, said it was co-operating with a police investigation into the

Lawyers representing the Kvaerner worker, however, denied that he had been involved in any wrongdoing – adding that their client had returned the computer information to the company. They pointed out, moreover, that he had not been detained or questioned by police, although officers searched his home this week.

Kvacrner stressed yesterday that the case was not related to an action by Davy International, a UK subsidiary, which is seeking damages from VAI of Austria following the alleged theft of thousands of confidential documents from its former headquarters in the south of England. VAL, a competitor of Davy's metals processing

business, has vowed to fight that lawsuit. Tim Burt, London and Hugh Carnegy, Stockholm

Slack demand hits De Rigo

De Rigo, the world's second-largest producer of quality sunglasses, saw first-half net direct sales of frames stationary at L167.8bn (\$110.3m). But components and accessories declined to L5.5tm from L8.9bn. The performance reflected slack demand in the Italian market where the proportion of total sales declined from 39 per cent to 31 per cent.

Exports rose 8 per cent but the benefits of this were offset by a stronger lira during the first six months of this year, the Belluno-based group said. Sunwear represented 90.2 per cent of sales compared with 89.6 per cent during the same period in 1995.

Strong rise in L'Oréal sales

Shares in L'Oréal rose yesterday after the company reported an 11.7 per cent rise in sales for the first six months of 1996 to FFr30.12bn (\$5.96bn). "A growth rate in excess of 10 per cent when the others are showing on average 2 to 5 per cent is good," an analyst said. Another analyst said the sales figures were not a

surprise. L'Oréal's first-half cosmetics sales rose to FFr24.52bn from FFr21.96bn. Sales from its pharmaceuticals subsidiary Synthelabo rose to FFr5.12bn in the first half of 1996 from FFr4.62bn.

ING eyes US expansion

ING, the Dutch financial services group, said yesterday it was still interested in expanding its US business through takeovers, but declined to comment on its unsuccessful attempt to buy First Colony. Earlier this week GE Capital agreed to buy First Colony for \$1.8bn. Several other bidders apparently had expressed interest in First Colony, including ING and Equitable Cos, industry sources said

ING said it was aiming for a reshuffling of its turnover breakdown per geographical sector. Last year the group generated about 70 per cent of its Fl 41.20bn turnover from business in the Netherlands. "The dispersal should become 60 per cent from the Netherlands and 40 per cent international," the spokesman said. Reuter, Amsterdam

Polish bank in talks with IFC Własności Pracowniczej (BWP), a small Polish bank, is in

talks with the International Finance Corporation about its possible equity investment in the bank, the BWP president said. Mr Kazimierz Glowacki said the IFC was also discussing a participation of a US bank specialising in services to small business in an investment which could reach \$10m. Mr Glowacki said the bank, which after six months of

this year had assets of 8.4m zlotys (\$3.1m) and a balance sheet total of 58.2m zlotys, wanted to buy Agrobank from

BWP, based in the port city of Gdansk, is owned by 38 institutions and its largest shareholders are Gdanak refinery Rafineria Gdanska with a 27.9 per cent stake and Gdansk repair shipyard Gdanska Stocznia Remontowa

Listed Wielkopolski Bank Kredytowy and large state-owned Bank Zachodni each hold 9.3 per cent of

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Business and the same Contractor of the Terrer 1 - AT HERE L Transfer of

Coca-Cola Amatil

up 26% at midway

Coca-Cola Amatil, the Australia-based soft drinks group with bottling interests spanning Australasia, Asia-Pacific

and eastern Europe, yesterday announced an after-tax

profit of A\$58.9m (US\$45.7m) for the six months ended

of the previous year, a rise of 26.1 per cent, and was

at A\$1.79bn. However, earnings per share rose more

retirement and redundancy expenses, mainly among senior management, but it also enjoyed an A\$8.9m boost as part of a damages award won in legal proceedings

increase in sales volume, a 10 per cent rise in sales revenue, and a 7 per cent improvement in operating

The Asia-Pacific results continued to be driven by the extremely strong growth in Indonesia, although New

Overall, results from this region showed an increase in

sales from A\$259.7m to A\$299.9m, and a rise in trading profits from A\$27.2m to A\$29.1m.

In Europe, results were boosted by acquisitions, and

showed sales up from A\$503.1m to A\$31.6m and trading profits of A\$40.7m, against A\$28.7m. However, the group

Romanian business, acquired in the second half of 1995,

ValuJet, the US low-cost airline that was grounded in

June after one of its aircraft crashed, yesterday reported

after-tax losses of \$9.6m for the second quarter compared

said it hoped to start flying again in the week beginning

Administration's approval.

Last month ValuJet said it expected to have some of its

because the process of obtaining clearance from the FAA because the process of community because the process of community backen longer than expected.

Richard Tomkins, New York

US fertiliser groups to merge

Arcadian and Freeport McMoran, two of the biggest

cent of Freeport McMoran Resources, a producer of

phosphate fertiliser.

fertiliser makers in the US, announced a merger which

will create a company with combined revenues of \$2bn.

Arcadian is the biggest maker of nitrogen-based fertilisers in the western hemisphere, while Freeport owns 51 per

Under the terms of the deal, Freeport's shareholders

share they currently hold, while Arcadian's owners will

receive 0.658 of a share. Freeport's shares slipped \$%

esterday morning, to \$36%, while Arcadian's stock

Columbia/HCA ahead 13%

Columbia/HCA, the biggest hospital company in the

revenues to \$4.9bn thanks in part to further acquisitions.

That, and slower growth in its costs, translated into a 16

Columbia's latest results were underpinned by a 10 per

per cent improvement in operating earnings to \$1.1bn.

cent rise in revenues at its existing hospital facilities,

reflecting higher admission levels. Also, the growth of

lower-cost outpatient care resulted in revenues from this

area rising to 39 per cent of the total, from 36 per cent a

The Nashville-based company reported net income of

\$364m, or 81 cents a share, compared with a profit, before

personal computers, said it will delay the introduction of

its multimedia Pentium microprocessor until the first

quarter of 1997 but that it does not expect the delay to

The microprocessor, known as the P55C, was to have

been launched in small quantities in the fourth quarter of

this year. The delay will affect thousands of hardware and

"We had larger demand than we expected for the fastest

Tom Foremski, San Francisco

version of the P55C so it made more sense to introduce it

early next year when we could satisfy the demand," said

Mr Frank Spindler, Pentium marketing manager at Intel. The delay to the P55C should help PC makers in the

crucial Christmas sales period since it will be easier to

microprocessors that would have otherwise competed

market PCs using fast versions of current Pentium

one-off items, of \$313m, or 70 cents a share the year

before. One-off refinancing and other costs led to an

overall loss of \$18m, or 4 cents per share, in the

Intel delays P55C launch

Intel, the leading producer of microprocessors for

software companies who are working to produce

P55C-based PCs and software applications.

with a smaller number of P55C based PCs.

affect PC Christmas sales.

US registered a 13 per cent rise in second-quarter

value of each company at about \$1bn.

climbed \$1% to \$22%, putting the stock market market

vill receive one share in a new merged company for each

aircraft back in the air as early as this week, but

yesterday the company said the timetable had slipped

with profits of \$16.9m a year earlier. But the company

had made a "strong contribution". Nikki Tait, Sydney

reported growth in most markets and said that the

ValuJet set to fly again

August 19, subject to the Federal Aviation

Zealand and Papua New Guinca also performed well.

modestly, from an adjusted 11.3 cents to 11.7 cents. CCA said the profit was struck after A\$7.8m of

against New Zealand's Lion Nathan.

profit, at A\$79.2m.

June 30. This compared with A\$46.7m in the same period

scored on a slightly larger 32.5 per cent increase in sales,

On the trading front, the company said the results had been "solid", in spite of particularly poor weather in some

regions and strong competition. Australia, which remains the company's largest single market, saw an 8 per cent

COMPANIES AND FINANCE: ASIA-PACIFIC/THE AMERICAS

Indosat growth slows to 6.4% in first half

in Jakarta

Growth in net profit at state-controlled inter-national telecommunications company, slowed to 6.4 per cent in the first six months

Analysts said the low growth was caused largely by a slowdown in the expansion of revenues from international calls. In the same

period in 1995, net profit rose 73 per cent. Much of last year's growth came from interest income, which has Indosat, the Indonesian been declining as the company has increased capital

> Net profit in the first half of 1996 rose from Rp220.9bn to Rp285.1bn (\$100.4m). Operating profit rose 15.4 per cent from Rp242.6bn to Rp279.9bn. Revenues from international calls in the first half

per cent in the first six months of 1995.

Analysts said slowing expansion in revenue from the company's core business was caused by a trend for international telecoms companies worldwide to cut Mr Tjahjono Soerjodibroto,

Indosat's president-director, said he was "confident" that increased by 14 per cent performance would not be the market by the end of

from Rp467.5bn to Rp582bn, significantly affected by the 1996. Indosat has a 7.5 per compared with growth of 17 declining trend in internacent stake in Satelindo, and tional call charges and increasing competition.

Other analysts said that Satelindo, a local satellite telecoms company which competes in the international market, was capturing market share from Indosat. Earlier this year, Indosat said it expected that Satelindo would have between 10 per cent and 12 per cent of

competition between the two groups is limited to marketing strategies rather than

prices.
Indosat said other income in the first six months of this year fell 24.1 per cent to Rp42.4bn, because of a loss in investment income and depreciation of the Singapore dollar against the US

dollar.

declining as Indosat has spent cash on improving international telecoms facilities and other projects supporting its core business. Cash for these investments has been taken from funds which the company raised in 1994, when it was partially listed in New York and

Indosat placed much of the money raised in time deposits, which lifted net income

in 1995 to Rp459.4bn.

By David Pilling in Buenos Aires

Higher crude oil prices and an improved performance by its Maxus subsidiary helped YPF, Argentina's hydrocarbons group, achieve betterhan-expected second-quarter profits of \$223m, marginally above the \$219m in the

Second-quarter operating

Earnings per share for the six months fell 8.7 per cent to \$1.04, but for the second quarter rose from 62 cents to 63 cents.

than the market consensus," said Mr Daniel Tassan-Din, director of research at Deutsche Morgan Grenfell in Buenos Aires. "We continue to have a very positive view of the company, which has been confirmed by these

dent and chief executive officer, said the group had achieved "record operating income" in the second quarter thanks to "higher crude oil volumes and prices, improved natural gas prices increased Maxus operating income and cost-reduction efforts." This "more than offset lower petroleum prod-

ating improvement over nast vear." Mr León said.

DMG's Mr Tassan-Din said Maxus, which has hydrocar bons operations in the US. Indonesia and Latin America. had benefited mainly from higher petroleum prices, rather than from dramatic efficiency improvements. Second-quarter operating income at Maxus rose 40 per cent to \$49m from last year, while losses after

Nevertheless, investors were still awaiting Maxus's expected joint venture with a US group in the Texas Panhandle and Oklahoma. where it processes and distributes gas. The deal, which YPF had hoped to have already concluded, is expected to cut costs signifi-

Although some investors remain unconvinced of the wisdom of the Maxus purchase, most believe YPF

sary scale and exper

International Finance Corporation

Notice is hereby given that for

notes will carry an interest rate of 8.07656% per annun Interest payable on 10 February 1997 will amount to ITL 208,644 per ITL 5,000,000 note and ITL 2,086,445 per [TZ_50,000,000 note

Trust Company

YPF beats forecasts in second quarter

same period last year.

profits leapt 55 per cent to \$388m, but were offset by higher tax charges and the cost of financing the \$1bn debt associated with last year's acquisition of Maxus, a US oil group. Under the terms of its 1993 privatisation, YPF paid virtually no tax until 1996, but in the first six months of this year it has paid \$152m.

Operating income for the first half rose 44 per cent to \$680m, though profits dropped to \$368m against

\$402m a year ago.

"These results were better

Mr Nells León, YPF presi-

uci margins". "We are particularly pleased with Maxus's oper-

Floating rate notes 1999

Mexico's banks seek foreign partners Need for fresh capital spurs

the search for overseas allies search for strategic foreign partners as they

rush to complete recapitalisation programmes before the end of this year. While second-quarter with bad loans stabilising and capitalisation levels improving, most sights are now set on how the banking system will cope with tough

new accounting rules, which

take effect early next year. The transition to US accounting practices has unleashed a race within the banking system to produce the balance sheet with the highest provisions against bad debts. And it is the search for fresh capital which has many Mexican banks inviting foreign partners to acquire sizeable

stakes in their institutions. "I would not be surprised if foreign banks owned 50 per cent of the Mexican banking system in about five years," says Mr Ricardo Guajardo, chief executive of Bancomer, Mexico's second-largest bank. Earlier this year, Canada's Bank of Montreal acquired a 16 per cent stake

in Bancomer for \$500m.

Bank of Nova Scotia, which last month took management control of Inverlat, Mexico's fifth-largest bank. will be building its shareholding until it reaches 51 per cent by the year 2000.

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Sugar Hits De Rigo

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exican banks have Oriente, two small banks stepped up the under central government intervention. Another Spanish bank, Santander, may also seek to expand in Mexico.

Serfin and Mexicano, the country's third and fourthresults suggest most banks largest banks, are also are recovering from last looking for foreign partners. year's financial turmoil, Serfin, which posted losses Serfin, which posted losses of 2.72hn pesos (\$361m) in

the second quarter, is receiving temporary support from J.P. Morgan. The US investment bank acquired \$290m of government-guaranteed convertible debentures, equivalent to 20 per cent of Serfin's capital, and agreed to hold them for 18 months while it looks for a more permanent foreign partner.

Serfin had set aside more than 3bn pesos of provisions to cover the full extent of its non-performing loans.

It wrote off 500m pesos of credit card and commercial loans in the second quarter. Even after the write-offs, however, Serfin's past-due loans still grew by 1.96bn pesos, or 27.5 per cent.

Bancomer was the first of Mexico's main banks to provide fully against bad loans. It created extraordinary reserves of 2.76bn pesos in the first quarter of 1996 and a further 1.4bn pesos in the second quarter. After writeoffs of 895m pesos its pastdue loans grew by only 2.5 per cent in the second quar-

Spain, which took over accounting practices in Jan-Mexico's Probursa last year. uary 1997. Mexican banks jardo savs. has expressed an interest in only record as "past-due" those loan installments not its league in the second earnings more than higher

Ricardo Guajardo: provisions made ahead of move towards US accounting practices paid after 30 days, while the remaining balance is considered current. The new rules will require banks to record no payment has been received for 90 days.

hese rules are expecincrease in the number of mortgages in default, hitting Banamex and Bancomer, which hold the biggest mortgage portfolios, particularly hard.

"The key to a soft landing Mr Guajardo says he made in the transition to US banks should strengthen the provisions in preparation accounting rules is a suc- their balance sheets above mortgage portfolio," Mr Gua-

for not setting aside more provisions against bad debts. It recorded a net profit of the entire loan as past-due if 717m pesos in the second quarter, 25 per cent higher than in the first quarter of

1996. But its past due loans also grew by 5 per cent to ted to show a sharp 11.96bn pesos, while coverage of past-due loans, at 86 per cent, is significantly lower than its peers.

Salomon Brothers, the US investment bank, criticised Banamex's management, saying: "We believe Mexican required in normal circumstances. Markets will not Banamex topped the prof- necessarily reward higher

quarter, but was criticised provisions.

Mr Roberto Hernández, director-general of Grupo Financiero Banamex-Accival, which owns Banamex, says debt relief schemes are working better, and that problem loans are close to being stabilised.

But Mr Hernández admits that the bank is still sorting out the wheat from the

"We need to distinguish between clients who were hit by the recession and high interest rates and those who were no-hopers even before the crisis began. Last year's Banco Bilbao Vizcaya of for the move towards US cessful restructuring of the and beyond the leyel financial crisis blurred the difference between the two kinds of debtor.

Leslie Crawford

ICTSI lifted by Philippine trade volumes

International Container Terminal Services (ICTSI), the Philippines' largest cargo handling group, attributed strong net profits growth in the first half of 1996 to the country's rapidly

growing trade volumes. The company - which controls about 75 per cent of the country's container traffic and owns its largest terminal, at Manila barbour said net profits rose by 34

months of 1996. Revenues grew by 21 per cent to 1.24bn pesos while operating expenses grew by 17 per cent

to 858m pesos. Most of the growth was attributed to higher volumes, with the number of TEUs (twenty-foot equivalent units) handled rising by 20 per cent to 404,000 - in line with overall Philippine

trade growth. The company's shares

(US\$7m) in the first six sive p/e of 26 - closed 4 per cent up yesterday at 17.50 pesos, but below the record high of 20.5 pesos.

Mr Chris Hunt, head analyst at W.I. Carr in Manila, said the company's growth was strongly linked to the country's export/import industry, which is growing quite strongly this year. "In the absence of many direct manufacturing stocks on the Philippine Stock Exchange, ICTSI is also one of the best Buenos Aires. Brokers say from the previous year.

per cent to 192m pesos trading at a relatively expen- plays on the country's growing export-oriented manufacturing sector." he added.

Some analysts say that the company's high gearing ratio - its debt-equity ratio stands at more than 130 per cent - puts a question mark over the short-term attractiveness of the stock.

The company has a growing international profile. It has stakes in the recentlyprivatised ports of Karachi. Veracruz, in Mexico, and

overseas ventures and the development of a US\$100m inland container terminal near Manila would keep debt at a high level in the

The construction of a sixth berth at its terminal in Manila should lift volumes in the second half of 1996. Year-end net profits are expected to reach 450m pesos. Profits in 1995 were 320m pesos, up 57 per cent

medium term.

financial costs were cut from \$25m to \$9m.

correct in its drive to expand internationally.

YPF, which was the first big Latin American hydrocarbons group to be priva-tised, is thought to have the tise to take advantage of new opportunities in Latin America's gradually liberalising oil and gas sector.

Sudamtex posts 50% increase Sudamtex de Venezuela, the textile group, reported a 50

per cent increase in profit for the year ended June 30 to \$32.72m. The advance was achieved on an eight-fold leap in sales over last year to \$169.5m. In addition, said Mr Alexander Furth, the Sudamtex president, results reflected new investments in plant and technology coming on stream, as well as efforts to cut costs and treamline operations. He added that currency movements and "the way we

managed our balance sheets and exposure" had also had a positive impact on gross profit. Raymond Colitt, Caracas

Italian Lire 150,000,000,000

the interest period 8 August 1996 to 10 February 1997 the

Agent: Morgan Guaranty

JPMorgan

abnormal charge

Rv Nikki Tait in Sydney

Goodman Fielder, the largest food manufacturer in Australasia, yesterday warned that it would make only a "modest net profit" for the year to end-June, after taking an abnormal charge of about A\$75m (US\$58m) to cover asset write-downs and rationalisation expenses.

Excluding these items. however, the company said that it expected a slight improvement in after-tax profits. Goodman made A\$97.3m on sales of almost A\$4bn in 1994-95, and profits have been at about this level for the past six years.

The company has made numerous management changes since Mr David Hearn was brought in as chief executive in 1995 from United Biscuits of the UK. and analysts had boped for significant progress in the 1995-96 financial year. However, expectations were scaled back last year, and yesterday's news left Goodprice man's share

unchanged at A\$1.30. Goodman did not detail all the likely abnormal charges, but said that the biggest item would be a A\$25m aftertax write-down of its poultry assets. This division has struggled recently, and in the first half reported earnings before interest and tax A\$9m a year earlier, on sales

of A\$248.2m. Other expected charges include a A\$14m write-off of capital and commissioning costs at a new gelatin facility, and a A\$14m write-down in Goodman's Asian

operations.
Items here include the costs of discontinuing the Smartino snacks joint venture in Indonesia; losses resulting from a decision to pull out of a Vietnamese flour-mill project; and the 'reassessment" of the carrying value of the Sinar Meadow oils operation, also

in Indonesia. The company's warning came after several days of heavy trading in its shares, with traders speculating that New Zealand-based Brierley investments was continuing to offload its stake - which has already dropped below

5 per cent. • Colly Farms, one of the largest cotton companies in Australia, is postponing its planned stock market debut at least until next month. The company blamed the delay on volatile markets and technical issues surrounding the flotation which

needed to be finalised. Colly had been expected to list on the Australian Stock Exchange this month, although a prospectus bad not been lodged.

Goodman Fielder MCI sees the future warns of A\$75m in 'one-stop' services

he future of the com-munications industry, according to MCI, the US telephone company, comes in a box - a blue and white cardboard box, ordered by phone and delivered to your house.

It contains a cellular phone, a pager and a phone card, with software giving you an e-mail address and plugging you into the Internet. Everything works on one phone number and is paid for on one monthly bill. If anything goes wrong, you call one service number.

Called MCI One, the package was launched in the US in April. The response from MCI's competitors has been one of grudging respect tinged with irritation. They can and will, they say, provide the same services if customers want them.

But, they add, the package has to work properly. MCI One is assembled from a number of different suppliers. If you call the MCI One service number, competitors claim, the response is sometimes chaotic.

To the extent that this is true - and MCI denies it - it is a mere teething problem. The real issue is more fundamental. In essence, MCI One is a one-stop shop: a concept which has been tried, with varying success, in industries ranging from travel to financial services.

making snacks, on the basis Tim Price, MCI's president of that people who drank beer also ate pretzels and peadisastrous that in February, Anheuser said it would close the business, Eagle Snacks, at a cost of more than \$200m.

The question what, from the point of view of the customer, belongs together is complicated in US telecommunications by the fact that for more than a decade, providers of long-distance telephony were prohibited from carrying local calls, and vice versa. With this year's deregulation, that distinction has been abolished.

The average US customer is now expected to revert to taking local and longdistance telephony from the same source. The question is how many other services will be wanted on top. Here the US phone industry is divided.

"The problem about the one-stop shop," says the chief executive of a local phone company, "is that you're trying to push people into a yes-no position on every service. The trick is to offer a full service, but not be arrogant enough to expect everyone to buy all of

MCI would not disagree. MCI One comes in various forms from a simple package to one involving the lease of a personal computer In one recent glaring and a link for monitoring example, the US brewer home security. "Think of it Anheuser-Busch started as a Chinese menu," says Mr

But perhaps the whole one-stop concept is flawed. This is the view of AirTouch, the San Francisco-based cellular phone company. "Getting everything from

one company," says Mr Ujjal Kohli, AirTouch's head of US marketing, "gives the illusion of simplicity. What customers really want is the assurance they're not being taken. And as a customer, do you really want one company as a single point of failure which could shut down

Mr Kohli adds that onestop customers, in whatever market, demand a discount, As a supplier, what savings are you achieving to pay for that? Simple, says MCI's Mr

Price: reduce the rate of churn, or customer defection. Churn is one of the industry's biggest problems. worsened by the phone companies' habit of bribing customers to change supplier. Mr Price maintains that the more services customers take from MCI, the more

loyal they prove "As mar-

keters, we have to be able to price [MCI One] at a point where, at the end of the cus tomer life, you're better off". MCI is one of the most adroit marketers in the industry. Its competitors cannot be sure it is wrong

Tony Jackson

SALOMON INC Notice of Redemption YEN 2,000,000,000

Euro Medium Term Notes due 26th August 1998 (Common Code: 5078644, ISIN Code XS0050786440) Notice is hereby given, in accordance with the Pricing Supplement dated May 20, 1994 relating to the above mentioned series of notes that the Issuer Intends to redeem all the Notes on the Optional Redemption Date: August 26, 1996 at a price of 100% of principal plus accrued and unpaid interest at 3.8% per annum through but not including the redemption date of August 26, 1996

August 8, 1996, London By: Coffestik, N.A. (Corporate Agency and Trust), Agent Bank CITIBANCE

Eurotherm settles dispute

By Tim Burt

Eurotherm, the industrial controls manufacturer, yesterday bowed to pressure from institutional shareholders by appointing a new chairman and reinstating Mr Claes Hultman, the chief executive ousted in a board-

room battle last month. The company said Sir James Hann - former chairman of Scottish Nuclear, the generator privatised recently as part of British Energy would succeed Mr Jack Leonard, Eurotherm chairman for the past 14 years.

Mr Leonard, a co-founder of the group, has agreed to take early retirement following a campaign by institu-

By Scheherazade

Airtours, the UK's second

largest package holiday

operator, yesterday injected

cheer into the holiday mar-

ket with strong third quarter

pre-tax profits and news of

its C\$21m (\$15.3m) acquisi-

tion of Alba, a Canadian

The shares rose 20p to

Pre-tax profits for the

three months to June 30 rose

(\$30.7m) on turnover of

£485.2m (£361.6m). However,

the company reported a 16

per cent fall in summer 1996

bookings to August 3, which

it said reflected its 15 per

During 1995, margins were

hit by an excess supply,

making it one of the worst

years for the travel industry.

cent cut in capacity.

from £13.5m to £19.7m

regional tour operator.

Daneshkhu

Canadian buy

tional investors angered at Mr Hultman's removal.

The institutions - led by Mercury Asset Management. Schroders and Prudential nominated Sir James in a bid to restore harmony to the Eurotherm board.

In what one shareholder described as an unprecedented move, the institutions said Sir James's arrival would clear the way for Mr. Hultman's reinstatement and help the company "return to normality".

Mr Leonard, who was due to retire next February, is expected to receive a settlement based on the remaining seven months of his contract. He received a package worth £206.000 last year.

Operators, which represents

the largest operators, said

the industry had cut capac-

ity by 14 per cent this year.

for the nine months to June

30 fell from £21.4m to £11.4m,

of which new businesses

contributed £4.3m. The UK tour operations lifted pre-tax

profits for the quarter 56 per

cent to £10.9m (£7m); at

Going Places, the group's

Pre-tax profits in the Scan-

dinavian business, excluding Spies, the Danish tour opera-

tor acquired in February

increased to £5.6m (£3.94m),

due to a higher percentage of

sales at brochure prices. Spies contributed £500,000.

The Canadian businesses

travel retailing arm, they

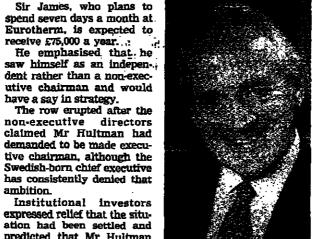
edged up to £2.7m (£2.6m).

Cumulative pre-tax losses

Sir James, who plans to spend seven days a month at Eurotherm, is expected to receive £75,000 a year. ... He emphasised that, he saw himself as an indepen-

have a say in strategy. The row erupted after the non-executive directors claimed Mr Hultman had demanded to be made executive chairman, although the Swedish-born chief executive has consistently denied that

Institutional investors expressed relief that the situation had been settled and predicted that Mr Hultman would be able to maximise Sir James Hann: institutions growth opportunities.



Airtours makes | Metal Bulletin improves 39%

The Federation of Tour By Kenneth Gooding,

> Metal Bulletin, the specialist international publisher, yesterday revealed bumper firsthalf profits and a 21 per cent dividend lift.

Mr Trevor Tarling, chairman, said the company would produce good full-year results but investors should not expect profits to grow at the same rate in the second half. The shares rose 63p to £10.63.

Contributions from a book published every three years and a conference held every two coincided in the first half so, while pre-tax profit rose 39 per cent from £1.46m to £2.04m (\$3.18m), the underlying rate of increase was about 20 per cent.

broke even during the quar-The company planned ter, which is off-peak for heavy development expenditure in the second half on of £10.2m (£9m).

Internet-based services for shipping and metal trading. Mr Paul Vincent, finance director, said spending on this in the first half was about £50,000 and would rise to £250,000 in the second.

It paid £1.2m in April for 49 per cent of the Sea.Net information service for shipping and has the option to increase this to 80 per cent in 1998. Sea.Net, originally launched by JE Hyde, the shipbroker, was also being used to help develop Metal Bulletin's wholly owned Metal.Net service. Mr Vincent said the Internet businesses. for which users paid subscriptions, were expected to break even by the middle of

next year. Cash flow covered virtually the entire whole cost of 30 the company MB had cash

Europe

By Raiph Atkins, surance Correspondent

Commercial Union, the composite insurer, is considering expansion into Russia and the Czech Republic as part of a strategy of reducing its reliance on an increasingly tough UK mar-

The news emerged as Mr John Carter, chief executive. unveiled a smaller than expected fall in half-year operating profits from £248m to £216m (\$337m) after a £56m increase in US and UK weather claims.

CU reiterated its determination to reduce UK expenses by 5 per cent a year. It argued it had a large cost advantage over its larger rival, Royal & Sun Alliance, Mr Cees Schrauwers, responsible for UK non-life operations, said: "Our strategy will make sure that we will be able to maintain, probably not all, but part of our differential."

Eastern European expansion would follow the success of CU's Polish life operation, established in 1992. Many western insurers have eschewed eastern Europe because of the risks involved. But Mr Tony Wyand, executive director. said CU's success in Poland neant "we have a lot of confidence that we can extend this model elsewhere".

The Czech and Russian ventures would probably focus initially on life insurance. Overall, 43 per cent of CU's premium income comes from life activities, which produced a 14 per cent rise in first-half profits to

CU could Abbey National expand in eastern advances to £558m

By Motoko Rich

Shares in Abbey National dropped 14p to 587p yesterday, reflecting market concerns about a fall in the former building society's core mortgage market share and a staid profit performance in its retail banking arm.

Pre-tax profits in the six months to June 30 rose 16 per cent to £558m (\$870m), masking the sluggish 1.6 per cent increase to £321m in the retail banking division.

The company's share of net lending in the UK mortgage market fell from 4.2 per cent in the first half last year to 3 per cent this Lord Tugendhat, chair-

man, said the group did not want to build market share at the expense of quality "One of the best things

this company did was not to chase market share in the late 1980s because it meant that we escaped much more lightly than others on repossessions, arrears and bad debts," he said.



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The group also suffered a side was offset by strong pernet outflow of liquid savings formances in life insurance. of £1.3bn. Mr Peter Birch, investment and Treasury chief executive, said weak-

ness on the retail banking

products, which accounted for 43 per cent of profits.

Liberty Intl pension move

By Motoko Rich

Liberty International, the newly renamed property and financial services group, is to launch a pensions com-pany in the fourth quarter, capitalising on the customer base at its majority-owned shopping centre company.

The former TransAtlantic Holdings, which is 69 per cent owned by Liberty Life Association of Africa, the South African insurance group, hopes to sell pensions

to some of the 150m customers of the out-of-town malls run by Capital Shopping Centres, the retail property company in which Liberty has a 72 per cent stake. The shares rose 5p to close

The foray into pensions follows Liberty's disposal last year to UAP, the French insurer, of its 50 per cent stake in Sun Life. As a result, the group has £556m cash to invest in new ven-

tures. It could also make

directors have a lot to prove, says Ross Tieman

ment side. An 84 per cent jump in net rental income at Capital

acquisitions on the invest-

Shopping Centres helped raise interim pre-tax profits 12 per cent to £56.1m. Earnings per share rose 55 per cent to 13.15p. This was largely because of a 15 per

cent reduction in share capital due to the repurchase and cancellation last year of 40m shares owned by

AMIC

• Turnover up 10% at R10.7 billion • Total net earnings down 9% at R427 million

• Total net earnings per share down 11% at 635 cents • Interim dividend maintained at 160 cents per share • Headline earnings per share down 14% at 613 cents

R million	cnded 30.6.96*	ended 30.6.95	ended 31.12.95
Turnover	10 661	9 704	20 522
Earnings from operations	759	886	1991
Share of earnings of associates	169	152	299
income from investments and other income	71	66	184
1	999	1 104	2 474
Interest paid	267	157	397
Earnings before taxation	732	947	2 077
Taxation	129	234	465
Earnings after taxation	693	713	1 612
Earnings attributable to outside shareholders	176	242	550
Total net carnings	427	471	1 062
Number of ordinary shares in issue (000)	68 258	66 610	66 723
Earnings per ordinary share - cents			_
- Total net earnings	635	716	1 603
- Headline carnings	613	716	1 569
Dividend per ordinary share - cents	_		
- Interip	160	160	160
- Final -	385		

Six asouths Six months

COMMENT ON RESULTS

Turnover for the six months to 30 June 1996 increased by 10 per cent to R10.7 billion from R9.7 billion in the first half of 1995. However, owing largely to the significant decline in international commodity prices an substantially weaker local demand for many of the Amic group's products, particularly in the first quarter, operating margins declined from 9.1 per cent to 7.1 per cent.

As a result, total net earnings declined by 9 per cent to R427 million from R471 million reported in the first half of 1995. Owning to the increased number of shares in issue, total net earnings per share declined by 11 per cent to 635 cents, while headline earnings per share were down 14 per cent to 613 cents. A maintained interim dividend of 160 cents per share The group's net debt/equity ratio has increased marginally to 31 per cent

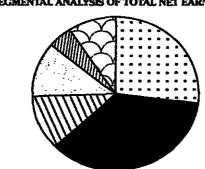
ared with 30 per cent at 30 June 1995 and 27 per cent at 31 December 1995, reflecting the group's strong balance sheet, tanding its participation in a number of major new projects. Capital expenditure incurred during the period totalled R845 million of which R542 million was on new projects and the balance on replacement expenditure. Forecast capital expenditure on new committed projects and on existing projects in the Amic group and its associates is now in excess of R3.9 billion in 1996 money.

During the six months under review, two major new projects were officially opened. The R3.5 billion Columbus stainless steel plant, in which Highveld has a one third interest, was opened by President Mandela in February. In July, the Minister of Trade and Industry, Alec Erwin, opened AECTs R250 million lysine plant at Umbogintwini on the KwaZuhr-Natai south coast.

in March 1996, the Tongaat-Hulett board gave final approval for the expansion of the aluminium rolled-products facility at Pietermaritzburg following government's agreement to a satisfactory programme of phased reduction in tariff protection. The corporation has a 20 per cent direct investment in this major new project with a cost to completion of

in July, Mondi announced the acquisition of 100 per cent of the equity in HL&H Timber Holdings Limited. Timber Holdings has an annual turnover of approximately R900 million and comprises the Mining Timber and Stivacel woodchip businesses. The acquisition of Timber Holdings will

SEGMENTAL ANALYSIS OF TOTAL NET EARNINGS



Tongaat Hulett 27.2% (1995-17%) Mondi 21.3% (1995-25.5%)

AECI 11.2% (1995-12.2%) Highweld 4.9% (1995-10.8%)

Cther 9.2 (1995-10.2%)

Boart 14.5% (1995-12.0%) Scar 11.79, (1995-12.39a)

enhance Mondi's long term timber resources and range of value added products for the export and domestic markets.

The acquisition, valued at R1 billion debt free, was financed from Moodi's own cash resources and through an equity injection by Mondi's shareholders. The total contributed by the shareholders in the form of equity and loans amounted to R800 million, of which Amic's share was R414 million. Amic's interest in Mondi remains unchanged at 51.7 per cent. SOUTH AFRICA'S BUSINESS CLIMATE

The government's recently announced macro economic strategy has been widely welcomed. Business supports the further planned cuts in the budget deficit, the maintenance of tight monetary policy, the phasing out of remaining foreign exchange controls, the final acceptance of a policy of privatisation and a more flexible labour market. The accelerated depreciation allowances on manufacturing plant, equipment and buildings are welcomed as is the proposed tax holiday on new investments. It is essential now for government to nt this long term strategy without delay, particularly in view of South Africa's current falling economic growth rate.

In the National Economic, Development and Labour Council (Nedlac). on which business is represented, discussions continue on the green paper and a first draft Bill on Employment Standards. There are elements of this proposed legislation which are harmful to South Africa's wish and need to become internationally competitive and to attract foreign investment in order to grow the economy to the benefit of all South Africans. Of particular concern are proposals to phase in a reduced working week and to increase minimum overtime rates.

As indicated in the 1995 Chairman's Statement, Amic's performance in 1996 depends in part on economic conditions in South Africa and the world as a whole. Economic growth in South Africa has slowed in 1996 and the sharp correction in world commodity prices in the latter half of 1995 has continued this year, impacting negatively on Amic's earnings for the first six months of 1996 and in particular in the first quarter. Early indications point to a somewhat stronger second half, with commodity prices levelling out and a positive earnings contribution from a weaker rand with respect to export proceeds. Amic's policy is not to cover exports, although some limited discretion is allowed. To date, 1996 has seen increased industrial action, often filegal; with the resultant downward pressure on productivity and output levels. In this climate, notwithstanding the positive indicators, an improvement in earnings for the twelve months over 1995 is difficult to forecast.

DIVIDEND: Dividend No. 65 of 160 cents per share has been declared payable on Friday 11 October 1996 to shareholders registered at the close of business on Friday 30 August 1996. The register of members will be closed from Saturday 31 August 1996 to Saturday 7 September 1996. Johannesburg 7 August 1996

Registered Office:

London Office: 19 Charterhouse Street London EC1N 6QP

44 Main Street, Johannesburg 2001, South Africa Copies of the full outerim report will be posted to shareholders on or about 12 August 1996 and will be available from Amic's Johannesburg and London offices.

Salvesen's kingsize headache After rebuffing Hays' takeover approach, the

kingsize headache. Having turned down a takeover approach worth 405p a share, they now have to demonstrate that it undervalued the Scottish distribution and equipment hire business – even though analysts put the group's break-up value as low as 340p a share.

That is not to say Salvesen was wrong to reject the approach. But investors are keen for early reassurance that the shares do not now face three to four years in onus is very much upon the Salvesen board to justify their decision." said one.

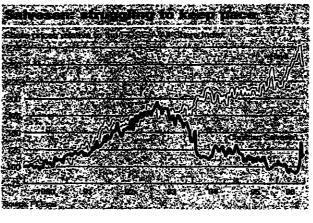
Salvesen is now examining a menu of options, ranging from a special dividend or share buy-back to a break-up, to deliver value to shareholders. Institutional investors remain to be convinced. "I don't see this situation as finished," said a fund manager. "I find it hard to see how they can come anywhere near the price

Mr Ronnie Frost, the executive chairman of rival dis- £76.6m on sales of £700m. tribution and business services group Hays, has left himself a route to renew his wooing

The takeover panel vesterday confirmed that, thanks to careful wording of its withdrawal statement. Hays will be able to rebid within generated 38 per cent, and 12 months, provided it obtains a recommendation food packing, cold storage from the Salvesen board or and other food services. backing from some of the fragmented Salvesen family who together control 38 per cent of the shares.

If Salvesen fails to deliver, shareholders may thus give Hays the chance it seeks. Mr Frost timed his approach with skill. After a two-year courtship.

he popped the takeover question as Salvesen was nearing the end of a six-year restructuring.



way from Leith Docks, where it made its name over the past 150 years in shipping services and whaling. Since his appointment in 1989, Mr Chris Masters, the present chief executive, has taken it out of brick-making, fruit packing, cilfield ser-

vices and other peripheral In the year to March, Salvesen made pre-tax profits of Specialist distribution for companies such as United Biscuits, Vauxhall and Dupont, accounted for 54 per cent of profit. Aggreko, a specialist hire service providing portable power plants and refrigeration equipment

After a string of profit warnings from the group over the past three years. analysts suggest Aggreko is now set for strong growth. Expansion into industrial markets and continental Europe is reducing the vulnerability of distribution to price competition among UK

the remainder came from

Mr Frost saw a takeover as the springboard to consolidation of Britain's fragmented

chance to gain critical mass in distribution in continental Europe, where Salvesen is leading efforts by both groups to gain ground. "The timing was opportunistic." says one broker.

Hays' history is no less chequered than that of Salvesen. From its 17th century origins as a wharf operator in the Pool of London, it passed through the hands of the Kuwait Investment Office, and a management buy-out led by Mr Frost to rejoin the stock market in

ince then, it has become a market dar-ling, growing fast to achieve pre-tax profits of £110m in the year to June 1995, on sales of £308m. Distribution in Britain, France and Germany provided 48 per cent of operating profit. Of the remainder, 24 per cent came from its employment agencies, and 28 per cent from document storage, mail delivery, overnight parcels distribution and container hire.

benefits from combining the distribution businesses would enable him to pay 390p a share for Salvesen, Salvesen has come a long logistics industry, and a plus a special dividend of 15p gap.

Mr Frost calculated that

close to the knock-out price that Salvesen would have found irresistible. But not close enough. Any higher, and Hays' earnings per share would have suffered dilu-

Realising value for Salvesen shareholders will not be easy. According to one analyst: "Organic growth is no longer sufficient." Were it to sell Aggreko, analysts say capital gains tax bill. But by one estimate, it could fetch £450m if it were spun off through a senarate stock market flotation.

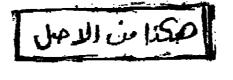
Alternatively, they suggest, Salvesen might be able to sell and lease back some of Aggreko's portable plant, freeing cash for either a share buy-back or distribution to investors through a special dividend. But options for the food

processing business, although outside its core, are limited. Prices for such operations remain weak. According to one analyst: "The answer is to run it for cash - as Hays would have done." Despite being rebuffed, Hays has emerged with its reputation intact. "They said they would not overpay and they have stuck to their word," said one bro-

If a takeover of Salvesen is impossible, Hays is expected to concentrate upon bolt-on acquisitions, for up to £100m. to develop its distribution business in northern Europe. But it may not come to that "I find it very hard to see going to deliver more value

how the Salvesen board are to shareholders than Hays offered," a broker said. To retain the lovalty of its investors, both family and institutional, Salvesen must first close the credibility

<u>.</u>	Turage	er (2m)		-tacx L (Bare)	EPS	(a)	Current payment (p)	Dete of payment	Dividends - Corresponding dividend	Total for year	Total la
Abbey National 6 miles to June 30		(-)	558	(483)	27.6	(24,7)	8.7	Oct 7	7.25		21.75
Artours 9 mths to June 30	1,095	(788)	11.4L	(21.4L)	8.91L	(†5.74Ĺ)	-	•	-		14
opplied Dist	28.1	(18.2)	0.244	(2.23)	0.5†	(4.9)	1.5	-	1.5		4.5
# 6 mits to June 30 *		$(4,426\Box)$		(2754)	25.3	(29.4)	11.45	Nov 15	10.7	-	28.25
roun Eyeglass §	10,5	(7.29)	0.929🖤	(0.597)	38,9	(24 <i>A</i>)	8	Oct 17	7	12	10.5
distribution of	2.04		0.413##	(0.376‡‡)	1.10	(1.09)	-	-	-		0.25
tyling Flowers 6 miles to June 28	15.4	(12.7)	. 1.54	(1.08)	6.15†	(4.14)	1.36	Oct 25	. 1.08	-	3.24
KN 6 mins to June 30	1,726	(1,866.1)	181	(1826)	31.7	(28.1)	9,6	Oct 18	8,75		24
official Chemical — 6 mins to June 30	85,5	(82.3)	8.14	(11)	5.4	(7.6)	2.1	Oct 2	2 .		5
iberty lati	-	(-)	56.1♥	(50.3)	13.15	(8.49)	7.25	Oct 8	6.6	. [14.5
detail Bufferdin 6 mits to June 30	10,8	(8.98)	2,04	(1.46)	13.9	(3.8)	5.8	Oct 4	4.8	_	16
tandard Chartered 6 mins to June 30	-	. (-)	448 Y	(319♥ 1	30.5	(24.3)	4.25	Oct 18	3.25	-	11
DG 6 miths to June 30	255.fi	(246.3)	15.8 Ý	(17.3♥)	7.42	(8.19)	4	Oct 4	3.23	-	9.5
Mard 6 mins to Apr 30	15,5	(11.9)	0.949(.	(0.59)	1.81	(1.1)	nii .	-	0.5	-	1.5
nvestment Trusts	NAN-	((a)		9752000 98 (Em)	BP8	(p)	Current payment (p)	Date of payment	Corresponding dividend	Total for	Total la year
insbury Smaller 6 miles to June 30	238.6	(181.1)	0.532	(0.453)	24	(2)	1.3	Sept 12	12		3.4
ive Arrows Chile & . 6 mths to June 30	379	(458)	3.98	(2.85)	4	(3)	3	Nov 12	2	-	. 3.4
SC Enterprise 6 mths to June 30 +	120.3	(90.7)	1.84	(1)'.	1.96	(1.07)	-	- 12	-	-	1.2
Gelnwort O'seas 6 mits to June 30	335.2	(283,3)	1.45	(1.83)	1.8	(2.28)	1.9	0ct 7	1.6	-	3,55
dercury World 6 mits to June 30	116.62	(95.82	2.67	(1.65)	0.63	(0.39)	1.5	- ·	1.0	-	و لنبو 1
armings shown basic. Dividends shown ne k Comparatives restaind. © Total premium			-					-		-	. 1



TECHNOLOGY

long the line the nappy comes. Then another. And another, and another. More than 300 per minute altogether. The nap-pies never stop, but as they travel inexorably on, from one production stage to another, their progress is surveyed by carefully located cameras.

10

These are quality control inspectors: they watch for tape tabs and determine the presence and dimensions of the absorbent pad. They inspect the size, shape and contour of the nappy. They ensure that they satisfy the str<u>in</u> gent quality standards demanded by the customer of the 1990s.

Machine vision seems to be an obvious solution to the quality problem but this young technology has far from met its original expectations. When it appeared in the 1980s, it was believed to be the answer to every automation

Such ideas were soon to be proved false. Industry analysts forecast very rapid growth in sales but this was never achieved. The new technology itself caused widespread disappointment because it was complicated to use and extremely

Fortunately for nappy manufacturers, and others, the vision enthusiasts did not despair. They persisted with their development projects and soon found areas of application that not only worked but also created profit. Now confidence in machine vision has been gradually restored and the latest systems are cheaper and easier to use than ever before.

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headache

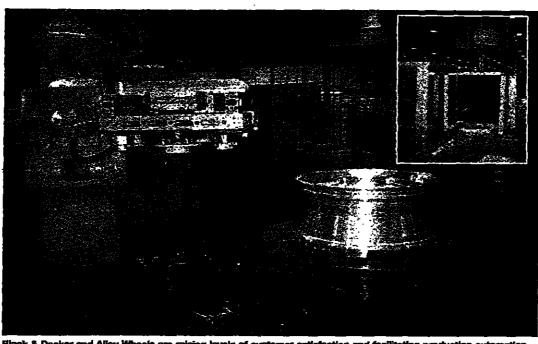
Hass Lienan

The past five years have seen considerable growth in the European vision market, says Eric Ceyrolle, vice president of European operations at US company Cognex, the world's leader in vision. Ceyrolle estimates that the market has grown from \$20m-\$30m (£12.8m-£19.2m) in 1991, when Cognex started up in Europe, to \$200m today.

At the same time, applications of vision have become more diverse. Ten years ago, the only industries which invested in vision were semiconductors and electronics, where vision was essential. Ceyrolle says: "The semiconductor industry needed vision because it was handling tiny and very precise components and because it demands extremely high performance. It was worth investing in developing solutions for this sector because there was volume business to be won. Half the Euroan vision market is still tied up

Having gained experience in vision systems for the semiconDespite a slow start, machine vision systems are making a comeback. Anna Kochan reports

Inspectors on the lookout



Black & Decker and Alloy Wheels are raising levels of customer satisfaction and facilitating production auton

to conquer other markets. The medical and pharmaceutical industry is the one where vision is essential today, Ceyrolle indi-cates. It is used for the full inspection of label printing qual-ity on bottles, for checking that intravenous bags are correctly assembled, for gauging the sharpness of surgical needles and verifying that syringes contain the correct amount of product and that it is free of contamination.

Developing a vision solution for a specific application does, however, demand a heavy investment, which is why Cognex heads for niche markets likely to bring large quantities of repeat

As the technology becomes more mature, prices are dropping. Cognex reports that its installations, which cost as much as \$100,000 or \$200,000 10 years ago, are now down to around

A small UK vision specialist,

brought out a system at just £2,500. "At this price, the user has the job of setting up his own application but that is a simple task taking about half a day,' says Peter Neve, managing director. "In the past you almost needed to be a computer programmer to develop an applica-

Ignorance about what vision is and how it can be used is a big problem

tion but that is no longer true." Neve says Image Industries' low-cost Checker system can accomplish the simpler 80 per cent of all industry's vision requirements. It can handle up to 50 inspections per second and is likely to be used for checking parts and products moving con-

Most often, says Neve, companies adopt vision technology to achieve full product inspection, whereas previously they had only inspected samples, or not at all. "An operator cannot concentrate on a repetitive inspection task to give a reliable 100 per cent inspection. This is where the camera has an advantage."

Black & Decker, a typical image industries customer, has progressively introduced vision technology at its Spennymoor plant in northern England to raise levels of customer satisfaction. Norman Spence, manufacturing engineer, says: "Before we used vision to check that all the components were present in a carton before packaging it up, we used to have a lot of customer complaints about missing parts."

Not all vision systems have a quality control agenda, however. They also facilitate production automation. At Alloy Wheels in Stroud, Gloucestershire, vision relate it to the technology avail-

tor per shift and 10 per cent higher output, says Dave Smith, senior shopfloor engineer. Instead of an operator, a robot loads wheels to a drilling

But, whereas an operator is able to recognise how to orien-tate the wheel for drilling, a robot cannot. Thus, a camera is needed to view the wheel on a turntable, and to calculate the rotation of the turntable to bring the wheel round into the desired orientation. The robot can then load it correctly.

These vision applications are not isolated cases. However, a vast untapped potential still exists. Ignorance about what vision is and how it can be used is a big problem, says Gerard Mexin, managing director of ITMI Aptor, the French systems inte-grator, though he believes that companies now consider it regularly as one of the options available, even if it is not often the chosen solution. He sees the market as being fairly stable and growing at a rate of just 4-5 per

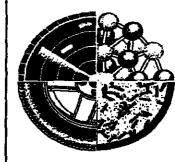
cent a year. One of the difficulties that has to be overcome before vision is adopted more widely is that companies have to come face to face with the cost of the scrap they are currently producing, which can be rather daunting, says Don Braggins, independent vision

"People are worried that vision will reveal that they're producing more scrap than they previously thought and this will mean lower output of good product. But, if they stop to calculate the benefit of using vision to eliminate scrap, they are likely to discover that 1-2 per cent of raw material costs can be saved, which can be a lot of money."

For those more complicated vision applications where the low-cost Image Industries approach is inadequate, the Sira Technology Centre in Chislehurst. Kent, has set up the Intelligent Imaging Programme aimed at helping manufacturing companies develop their own vision solutions without having to employ a specialist. It will bring the cost of a £50,000-£100,000 installation down to £10,000-£20,000, says Bill Simmonds, the

centre's manager. "We're not developing any vision technology. That already exists on the market. The problem for the user is to select the best technology available for a specific application. Our project aims to generate a tool that is user-friendly, even for small companies, and would analyse a user's vision application and

Worth Watching - Vanessa Houlder



Buckyballs as lubricants

Buckyballs – the ootball-shaped molecules made from 60 carbon atoms - may be able to improve the erformance of conventional lubricants, according to a report in today's Nature.

After their discovery 11 years ago, scientists were intrigued by their ability to rotate rapidly while remaining in their lattice position, like miniature ball bearings. But early hopes that these molecules would be successful lubricants were not supported by experimental evidence.

Now researchers at the University of California at Santa Barbara have shown that the molecules, known as buckminsterfullerenes, show "great promise" as an additive They found that the molecules when dissolved in toluene. reduced the frictional drag between the liquid and a surface to close to zero.

University of California, Santa Barbara: US, tel 805 893 8407; fax 805 893 7870.

Spreadsheets made easy

A software tool designed to take the drudgery out of writing spreadsheets has been designed by a newly formed

spreadsheet specialist. The tool, called Interactive Forecasting, can speed up the development of a spreadsheet model by up to 10 times, according to Decision Curve, its developer.

The user supplies a formal description of the business model required, listing all the variables and the relationships between them. This description is sent to an on-line server computer at a customer service centre, which automatically compiles a custom spreadsheet

for Microsoft Excel or Lotus 1-2-3. The software allows commutations based on figures from within the spreadsheet to be displayed graphically as charts and graphs.

Decision Curve: UK, tel (0)171 766 7000; fax (0)171 9306466

Early diagnosis of glaucoma

Glaucoma is the most common cause of blindness in the industrialised world. But it is difficult to diagnose because the patient does not notice the deterioration in vision until a

German scientists are developing a technique that could reveal the earliest signs of glaucoma. It depends on detecting the damage to the head of the optic nerve that is caused by increased pressure on it. Laser tomography is used to produce images of the area, which are analysed using image-processing methods. The technique was developed by researchers at the University of Erlangen, software companies and the Francholer Institute for Non-Destructive Testing. Fraunhofer Institute for Non-Destructive Testing: Germany, tel 3513748252; fax 3513748219.

Starring in a video conference

Brainstorming over a video conferencing link could become easier with the development of a voice-activated camera device that automatically zooms in on

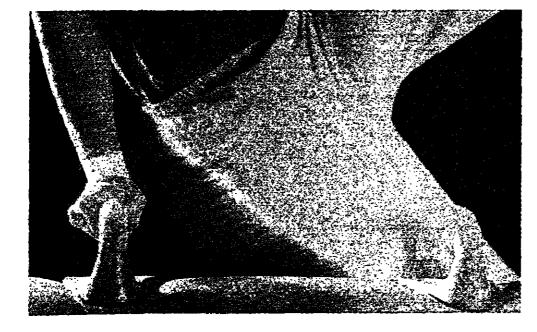
the main speakers in a room. The device has four internal microphones that locate incoming soundwaves. An algorithm calculates the arrival time of the sound waves at each end of the microphones to work out the angles at which the camera should pan, tilt and zoom. A voice processing circuit distinguishes human

voices from any other sound.

PictureTel, the US-based developer of the Limelight system, says it is able to track the position of people as they move around during the meeting. If more than one person is speaking, the camera adjusts its pan, tilt and zoom angles to include all the relevant people in its view PictureTel: UK, tel (0)1753 673000; fax (0)1753 673010.

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COMMERCIAL UNION

RESULTS - 6 MONTHS 1996

Good underlying performance

- Interim dividend increased by 7% to 11.45p.
- Pre-tax operating profit of £216m (1995 £248m) affected by an increase of £56m in weather claims in the US and UK.
- Strong life business growth and life profits up 14% to £117m.
- Good growth in profits from France and the Netherlands.

John Carter, Chief Executive, commenting on the results said: "A good underlying performance offset the effect of increased weather claims. Excellent progress continues to be made in France and the Netherlands and strong growth was produced by our worldwide life businesses."

	6 months 1996 Unaudited	6 months 1995 Unaudited
Total premium income	£4,569m	£4,426m
Operating profit before taxation	<i>£</i> 216m	£248m
Profit on ordinary activities before taxation (i)	£280m	£275m
Profit attributable to shareholders	£178m	£204m
Operating earnings per ordinary share	20.0p	26.4p
interim dividend per share	11_45p	10.70p
Shareholders' funds	£3,990m	(ii) £4,074m
Note: (1) Includes realised investment gains before taxation of £64m (19 (ii) A; 31 December 1995.	95 <i>(39m</i>).	

Commercial Union plc, St. Helen's, 1 Undershaft, London EC3P 3DO Internet: http://www.commercial-union.co.uk/cu

INTERNATIONAL CAPITAL MARKETS Survey shows growing use

Gilts shrug off Bank's warning on rates

By Samer Iskandar and Peter John

UK gilts shrugged off the publication of the Bank of England's Quarterly Bulletin, although the bank made clear it was increasingly inclined to raise interest rates in order to contain

inflationary pressures. After falling in morning trading, Liffe's September long gilt future recovered to settle at 108%, up % and near the day's highs. The market chose to focus on the short-term outlook which, according to the Bank, shows that "cost pressures are very weak" and retail price inflation "is likely to fall below 2% per cent to within the target over the

next six months or so". Analysts at Bridgewater Associates, a US-based currency and bond management firm, said "all indications

likely to fall further...a sit- appeared more bearish in planned to meet the Maasuation [that is] very bullish for gilts". In the cash market the 10-year benchmark gilt rose % to 98%, while the 8 per cent bond due 2000 lost 表 to 103条.

Traders said they saw lengthening trades. "Now that the market believes a rate cut is unlikely in the

GOVERNMENT **BONDS**

near future, investors are unwinding the short-term positions they had put on to benefit from a rate reduction," said Mr Simon Briscoe of Nikko Europe. "They were getting out of three to fiveyear maturities and into seven to 10-year paper".

But analysts also warned that although investors had chosen to focus on the short-term implications, the

the long term. In its report, the Bank yesterday stated clearly that inflationary "risks are skewed towards in 1998 if interest rates are

not raised pre-emptively.

■ French OATs proved resilient, closing slightly higher despite renewed weakness of the currency. Matif's September notional futures closed at 123.62, up 0.20. In the cash market, the 10-year yield spread over bunds was unchanged at 5 basis points. The franc's weakness, however, weighed on shorter rates. The fiveon shorter rates. The five the director general of the year BTAN lost 0.08 at Ministry of Finance gave 101.19, while Matif's September future on three-month Pibor rates closed at 95.89, down 0.09. Economists ques-

tioned an announcement by

tricht criteria for monetary union in 1997 and still be

the upside", with retail "Traders' unwinding of prices reaching an annual convergence trades helped convergence trades helped rate of growth of 2.8 per cent bunds outperform high yielding markets. The 10-year spreads of Italian BTPs and Spanish bonos over bunds widened by 8 and 13 basis points respectively to 318

> ■ Supply considerations dominated the US Treasury market again yesterday as the \$39bn quarterly refunding continued. However, there was external encouragement from Japan, where assurances over interest

Mr Eisuke Sakakībara said the interest rate gap between Japan and the US the government that it

where it will shrink for some

of derivatives by insurers Any hike in Japanese rates would stifle the yen forward carry trades - borrowing money in Japan to take advantage of the very groups now use derivatives low rates and investing the as important mechanisms in cash into Treasurles for their investment strategy. higher returns.

according to a survey pub-Mr David Brown of Bear Stearns, said Mr Sakakibara's statement added to the feeling of rate relief which started with last week's low US employment and price

Consequently, the US long bond moved forward 1/4 by midday to yield 6.740 per cent. Some economists are predicting that continued support could take the yield down to 6.5 per cent in the near term. At the 10-year end, where investors were bidding for \$10bn of new paper, benchmark bonds rose 4 to yield 6.509 by

lished yesterday. The Liffe survey adds counter market. weight to an earlier review Liffe surveyed 55 of the of pension fund activity. which showed that a third of UK's largest life assurers,

investment groups questioned use futures and It reflects a significant tional investors, which rep-

resent more than half of the

UK market. Ms Sandy Phillips, head of equity products at Liffe, said: "The results show that the use of futures and options is now an essential part of portfolio manage-ment within the UK life

Mr Derek McLean of leading life companies, said derivatives were used as "a matter of course" and provided hig cost savings as well as a more simple way of shifting assets. The major-ity of our asset allocation time the same question was

He added that when the group needs very specific products it also acquires tailor-made derivative contracts through the over-the-

with funds worth more than £160bn on average. It found 71 per cent of respondents used derivatives. Almost 60 change of attitude by institu- per cent said they used derivatives more than they did two years ago, and 63 per cent believed their use would increase further over

Most of the activity is within exchange-traded futures rather than options. Within pension funds, which own 33 per cent of UK equities and where trustees have traditionally been scep-Abbey Life, one of the UK's tical of futures markets, activity has grown less quickly. While 28 per cent of fund mangers used options and futures in 1993, 31 per cent were using them by the

the next two years.

However, the sample size moves would be implemented in derivatives, if was much larger - 560 funds was much larger - 560 funds Leading UK insurance only as an initial move," he were questioned for the most recent information - and Mr John Rogers, director of the National Association of Pension Funds, said activity had grown. "What we found in the past was that although many managers were authorised to use deriva-

> As with insurance groups the prime motivation is asset allocation. Funds will also take derivative positions if they anticipate a big influx of cash as it lessens the counter-party's risk.
> J.P. Morgan Investment

tives, not many actually

used them."

Management, with client portfolios worth £37bn in London, has seen an increas-

ing use of derivatives.

Mr Geoff Lindey, head of UK institutional investment at the group, said: "Over the past 12 to 18 months we have seen a change in attitude. People have started to realise that if you have the proper controls and a proper understanding of what is going on, they are a valuable tool. The cost savings are very significant."

Abbot Laboratories poised for \$250m debut

By Antonia Sharpe

Abbott Laboratories, the Chicago-based drugs company, is set to make its first appearance in the eurobond narket today with a \$250m

five-year transaction.

The maturity of the deal, via Goldman Sachs, suggests that the bonds will be targeted at European retail investors who are keen on

INTERNATIONAL BONDS

bonds from top-quality borrowers. Abbott has a coveted triple-A/double-A1 credit rating, which will be reflected in the pricing of its offering. The yield spread is expected to be 16-18 basis points over

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Abbott is the latest highquality name to come to the eurobond market this week.

Earlier, Germany's KfW issued a \$400m 10-year offering, and Sweden and Walt Disney both launched Swiss

franc deals yesterday. The 10-year maturity on unusual for the Swiss franc sector, but lead manager UBS said the borrower had because of strong demand from investors. The interest was such that the offering was increased from SFr150m to SFr200m. The bonds traded at less 2.45/2.25 per cent, well inside fees of 2%

Walt Disney's SFr125m four-year offering was also well-received, and traded at less 1.60/1.50 per cent, inside fees of 1% per cent. The proceeds of both transactions are believed to have been swapped into dollars at a sub-Libor rate. Argentina returned to the

Borrower	Amount	Coupon	Price	Meterity	Food	Spread bo	Book-runner	
W US DOLLARS		49 .			e î			
MMCCT 2, 98-H, Cls A(a)#	1.02bn	(a1)	100,00R	Aug 2001	0.275R	-	Goldman Sechs	
Republic of Argentines:	500	(b)	99.89A	Aug 1999		-	JP Morgan Sec	
Cho Hung Benk¢	200	(c)	100.00	Aug 1997		<u>-</u>	Barclays de Zo	
Banco Norceste	60	10.75#	99.75R	Aug 1999			Barciays de Zo	
SWISS FRANCS				NAME OF TAXABLE PARTY.				
Kingdom of Sweden	200	4.50	102.40	Sec 2006	2.75	•	UBS	
Wait Disney Co()	125	4.00	102,875	Dec 2000	1.75	-	Credit Subse/M	опії
e Guilders		1.20			3.3.4		100	48.94
Rabobank Nederland	350	5.375	99.95R	Sep 2001	0.25R	+5.4(1)	Rebobenk Nede	riend
FRENCH FRANCS					S 500			
Merrill Lynch & Co	1.5bn	8.125	99.868R	Aug 2002	0.375R	+4165	CDC/Mentl/Soc	Gen
AUSTRALIAN DOLLARS	· . '			100 mg ()				
Bayerlache Vereinsbank	100	7.50	100,505	Sep 2001	2.00	-	Hambros Benk	
Mamfil Lynch & Co#	100	(d)	100.00	Aug 1999	0.15	-	Merrill Lynch Int	Ħ
R IRISH POUNDS			1.000		A 16.5	18 A 44		SALE OF ER
Ulysses Securitisation(e)	50	7.625	99.844R			+23(8%-06)	UBS	

Hosting-rate note. #Semi-arrusi coupon. R: fixed re-offer prior; fees Trust. Legal maturity: 2004, a1) 3-mth Libor +10bp. a2) Class B: \$90m b) 3-mth Libor +270bp. c) 3-mth Libor +17kbp. d) 3-mth bank bills +1 Over interpolated yield. () Long 1st coupon.

first time since the removal mark Argentine paper to last month of the country's widen by 30 basis points, to economy minister, Mr 330 basis points. The dis-Domingo Cavallo, which counted margin on yester-

M SUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

year floating-rate notes of 274 basis points over Treasuries showed that investor

FT-ACTUARIES FIXED INTEREST INDICES

Telco issue oversubscribed

By Tony Tassell

A \$175m Global Depositary Receipt issue by Tata Englneering and Locomotive Co (Telco), the Indian car and truck maker, has been oversubscribed by 1.5 times, the issue's lead managers said.

The issue was the third large fund-raising from the international market by an Indian company within a week, and may prompt other companies to proceed with proposed GDR issues over the next few months.

Industrial Credit and

lier placed a \$200m issue with a 15 per cent greenshoe option, while Reliance Petroleum, part of the textiles to petrochemicals Reliance group, raised \$425m through a syndicated loan and convertible bond issue.

The Telco issue, which had an additional \$25m greenshoe option, was priced at \$14.25 a GDR. Each GDR represents one underlying domestic share.

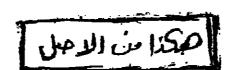
The pricing represents a 1.8 per cent premium over Indian paper.

Investment Corp of India, Tuesday's closing price for the financial institution, ear—the underlying domestic shares and a 0.8 per cent discount to Telco's existing GDRs. The Tata group company

had raised \$115m through a GDR issue in 1994. The latest issue's two lead managers were Credit Sulssa First Boston and Merrill

Investment hankers said that the success of the issue represented a continued shift towards quality by international investors in

Red Day's Week Month Str	ritice CALLS PUTS	Price Indices Wed Day's Tue Accrued xd edi, — Low compon yield — Medium compon yield — High compon yield — Wik Gilles Aug 7 change % Aug 6 interest yid . Aug 7 Aug 6 Yr. ago Aug 7 Aug 6 Yr. ago Aug 7 Aug 6 Yr. ago
Australia 10,000 02/06 112,9820 +0.284 8,07 8,46 8,83 97 Austria 6,290 05/06 99,0100 +0,200 8,28 6,44 6,58 98		1 Up to 5 years (22) 122.51 0.00 122.52 2.74 5.55 5 yrs 7.15 7.16 7.73 7.18 7.21 7.74 7.28 7.29 7.83 2 5-15 years (20) 148.50 0.12 148.32 2.75 6.39 15 yrs 7.98 8.00 8.13 7.98 8.00 8.17 8.04 8.08 8.25
Belgium 7,000 05/06 102,5300 -0.020 6,63 6,75 6,80 966 Canada 7,000 12/06 97,7000 -0.130 7,32 7,70 7,77 8st	160 0.11 0.15 0.30 0.44 0.72 1.63 1.78 1.92 1. vol. total, Calls 14637 Puts 9599, Previous day's open inc., Calls 162811 Puts 170068	3 Over 15 years (8) 163,31 0.25 162,89 3.04 7,40 20 yrs 8.06 8.70 8.16 8.06 8.09 8.20 8.10 8.16 8.27 4 irredsenables (6) 185,93 0.37 185,24 2.73 7.36 irred.† 8.16 8.19 8.21
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No 182 3.000 09/05 98.4862 +0.415 3.22 3.33 3.27 Sq Netherlands 8.500 06/06 118.1100 +0.150 6.26 6.39 6.48 Dec		8 All stocks (12) 189.59 0.05 189.81 1.08 3.15 Average gross radiomption yields are shown above. Coupon Bender Low: 0%-73/9; Medium: 8%-10%%; High: 11% and over. † Flat yield, ytd Year to date.
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CURRENCIES AND MONEY

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French franc continues to wilt in summer heat

By Philip Gawith

The French franc slipped yesterday to a four month low on the foreign exchanges amid widespread speculation that the Bank of France was

supporting the currency. Markets remain sceptical about the French government's resolve to continue taking stiff economic medicine, necessary to meet the Maastricht convergence criteria, at a time when the economy remains lacklustre.

The French franc closed in London at FFT3.414, from FFr3.404. Earlier it had slipped to an intra-day low

The D-Mark was stronger against most currencies. Against the lira it finished at L1,024, from L1,021.

Another feature of the day's trading was the weakss of the yen. It finished at Y72.67 against the D-Mark, from Y72.04. This move helped the dollar rally to

8.8441 6.8886 7.8068 2.2896 365.207

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POUND SPOT F

Y107.75, from Y106.96, against the yen. It was little changed against the D-Mark at DM1.4829, from DM1.4843. Sterling had a better day, helped by the release of the Bank of England's quarterly bulletin, and inflation report, which appeared to rule out the prospect of any

A year ago analysts were predicting a long hot summer for the French franc. Although it did manage to fall from FFr3.42 to FFr3.50 against the D-Mark between August and October, the Bank of France was successful in defending the currency and many speculators lost money.

M Pound in New York Aug 7 ---<u>1.5tes</u>‡

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1.8574

Now they appear once more to have the franc in their sights. According to one New York based hedge fund analyst, the current tensions reflect the divergences between the French and German growth cycles. German numbers, such as manufacturing orders and near-term cut in interest industrial production have recently been on the strong side, while unemployment has been steady.

In France, by contrast, unemployment continues to rise, to 121/2 per cent, while business indicators are depressed. As a result, markets are starting to focus on the September 18 budget and are asking how the government will manage to produce a package capable of keeping it on track for Maastricht. With teachers now threatening to strike, there is also increasing scepticism about the public's appetite for fis-

Stronger German data

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make it more difficult for Germany to cut rates. Even if it does, the cut is unlikely to be large, and could well be devalued by the market deciding it is the last.

Mr Mike Gallagher, analyst at IDEA, the financial markets consultancy in London, said there had been numerous rumours of the Bank of France intervening.

DOLLAR SPOT FORWAR

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One observer said the bank comments from Mr Eisuke had been seen at FFr3.3980, FF13.4025 and FF13.4055.

■ Three reasons were given for the weakness of the yen (which has weakened dramatically, especially against the D-Mark, since reaching Y69.60 only three weeks

the report in an influential Japanese newspaper suggesting that the Bank of Japan was under pressure from the Ministry of Finance and the US government not to raise rates. A report in the same paper a few months back, about the BOJ considering raising rates, prompted the yen to rally.

The most important was

In a matter of weeks, therefore, the situation has changed such that the Bundesbank looks less likely to cut rates, while the BOJ looks less likely to raise rates.

The second factor was

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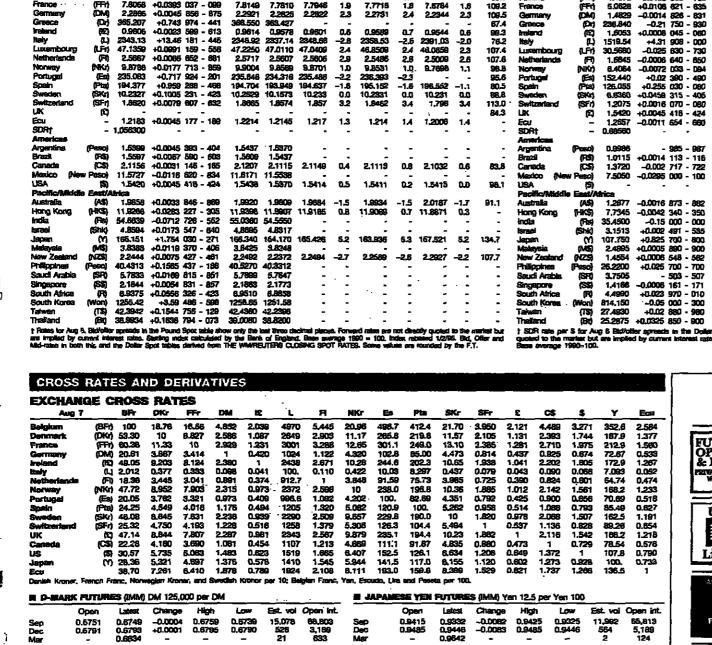
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WORLD INTEREST RATES

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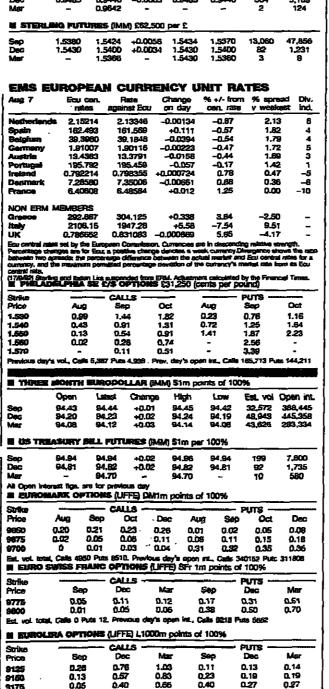
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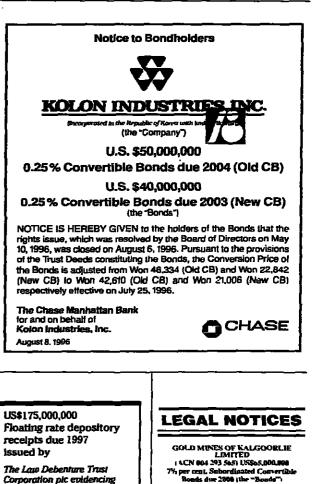
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Corporation pic evidencing entitlement to payment of principal and interest on

BANCA DI ROMA London Branch

i,76875% per anni

JPMorgan

Notice is hereby given that the

receipts will bear interest at

8 August 1996 to 10 February 1997, Interest payable on 10 February 1997 will amount

to US\$2,980.52 per US\$100,000

Agent: Morgan Guaranty Trust Company

Lemend (TSSL), referred to in the explanatory letter.
We Bengindern duried 1 February 1996s (the "Letter") have been revised.
If the Scheme is adopted the Company would became a subsulary of NML and the Company would became a superior and the Southern in powers under a Supplemental Trust Deed dated 22 March 1996s in agree to the attention of SML in the Company into whose stores the Bends may be convicted on the more terms as well out in the Letter, being 672477 fully peak orthogony there or AS 0.20 each in NACL for each 1955 1000 proteoped amount of the Rossia and the provision by NML of a paintance of the Bonds.

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NOTICE is involve your to fits holders of the above leads, the "Bondforders" that the proposals for a merger by way of a Scheme of Armagement, "Scheme", between Gold Mines of Kalpoortes United the "Compan," and Normandy Musing Lanced ("NSL") reterred to mits explanatory kider

Boudiniders dated 1 February 1996 (the "Letter")

BONGRAIN S.A.

Net sales for the first half year 1996

BONGRAIN generated consolidated sales of FRF 5.1bn during the first six months. The increase is 2.43% in comparison with the same period of 1995 and in same consolidation structure.

Measured with constant exchange rates, the rise

COMMODITIES AND AGRICULTURE

causes red faces but "minimal" losses

By Kenneth Gooding, Mining Correspondent

Somebody either forgot to push the right button or still prevails," he said. pushed the wrong button at Metallgesellschaft's metal trading organisation in London yesterday and the group faced the possibility of losing several million pounds of profit on its copper options business.

This caused something of a sensation among London Metal Exchange traders when they realised that MG had not exercised profitable options representing very large tonnages of copper at the appointed hour yester-

day morning. By the middle of the afternoon, however, MG's managing director Mr Michael Hutchinson was able to report that the vast majority of counterparties had accepted that there had been a technical hitch within members. "It is nothing MG's internal systems and short of disgraceful to say

had agreed to pay up. "It is very pleasant to work in an environment where gentlemanly conduct

He insisted that MG's potential losses from the problem were "minimal". Traders said there had

been other, very occasional instances of similar problems with the LME's option business. Some suggested the exchange's manual system was creaking under the strain of having to handle a growing amount of business. "I am sure the LME will investigate its whole options

this," one added. There were some rumours that two big trading houses had aggressively refused to join their gentlemanly rivals and had told MG in no uncertain terms that they would not pay. This won no

plaudits among other market

declaration system after

that these options were not valid because of a technicality. They were deeply in the money and all the counterparties - if they were trading properly - would have taken steps to cover," said one trader.

Another said it was "stupid" for brokers to pretend they did not have to pay because of a technicality. His organisation agreed promptly to pay up - on con-dition that, should it meet with a similar accident, MG would reciprocate.

Dealers said MG failed to declare deep in-the-money copper "put" options at between \$2,400 and \$2,500 a tonne and in the money "call" options at \$2,000 tonne. Some suggested MG also failed to declare in-themoney nickel "puts" at \$8.400 a tonne.

Mr Hutchinson said MG was last night still attempting to find out exactly what had gone wrong.

LME options bloomer | Pakistan struggles to end human bondage

Farhan Bokhari on a system that traps peasants into a life-time of unpaid labour Other critics charge that

strange accounting system that for decades has farms as bonded labourers. practice of keeping labourers like her in bondage, for which some of Pakistan's wealthiest landowners have become notorious, is coming increasingly under attack Karachi. against a background of growing international criti-

Along with her husband and their eight children, Jeema spent almost 22 years in bondage, trying to repay a meagre loan of Rs600 (US\$17.15). In spite of her entire family's dawn to dusk toil, the loan grew to a staggering Rs400,000 (more than \$11,000).

She claims that she was never paid. "The wadera [landowner] only told us that our loan was growing but he never explained how and we never got paid for working on his farm." laments Jeema, speaking through an interpreter in Sindhl, a Pakistani regional language.

Sugar Organisation said,

reports Reuters from San

"Although demand remains quite strong, the

surplus of production over

consumption. . . cannot fail,

we believe, to put world

sugar prices under presure."

Mr Peter Baron told the

annual congress of the Con-

federation of Iberoamerican

and Philippine Sugar Cane

■ COCOA LCE (E/tonne

III COCOA (ICCO) (SDR's/tonne

1557 1525

Sep Dec Har Hay Jai Sep Total

Oct Mar May Jer Oct Mar Total

M COFFEE 'C' CSCE (37,500lbs; cents/lbs)

COFFEE (ICO) (US cents/pound)

WHITE SUGAR LCE (\$/tonne)

109.30 +0.10 110.25 108.25 3,276 13,380 102.85 -0.40 104.00 102.20 2,186 8,716 100.50 -0.50 107.90 100.30 489 3,405 107.00 -0.65 102.00 100.90 74 1,076 107.02 -0.65 102.00 102.00 49 404

 343.3
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70.00 -2.08 71.70 89.08 438 7,998 70.88 -2.09 72.40 70.50 2.272 31.205 72.25 -1.88 73.75 72.00 286 7,703 73.30 -1.55 74.40 73.10 175 5,883 74.15 -1.40 75.21 74.20 47 4,245 47 44.50 75.10 74.70 1 1.045

112.50 -0.60 113.50 111.60 1,349 10,844 109.60 -0.35 110.50 108.90 438 4,088 108.55 -0.20 108.95 109.00 186 4,399

M SUGAR "11" CSCE (112,000bs; cents/fbs)

■ COTTON NYCE (50,000ths; cents/fbs)

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

109.80 -0.35 110.50 108.90 109.55 -0.20 109.95 109.00 110.65 -0.25 110.70 110.25

contracts traded on COMEX, NYMEX, CST, NYCE, CME, CSCE and IPE Crude OE are one day in arreers. Volume & Open Interest

M RESITERS (Base: 18/9/31=100)

E CRB Futures (Base: 1967=100)

Aug 6 1934.2

YOUUME DATA

INDICES

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Lnis Potosi, Mexico.

But she is one of the lucky concerns of a confrontation name) is the victim of a ones, being among the roughly 2,000 former bonded labourers who've been freed forced some of Pakistan's during the past year in nonrest peasants to work on police raids on large farms in Pakistan's Sindh provor virtual slaves. But the ince. She now lives in one of the 50 huts made out of straw, located on land donated by a christian mission outside the town of Maatli, some 200km South of

> Human rights activists claim that tens of thousands more such labourers are still kept in bondage at privately run jails on farms, where gunmen hired by landowners keep them in chains and force them to work in subhuman conditions.

> The effect of the campaign release bonded labourers on Pakistan's agriculture economy is not entirely clear, largely because of poor statistics. Agriculture makes up for around 25 per cent of Pakistan's GDP and employs about half the total labour force. But no one knows the exact proportion of the labour force that is kept in

between the government and large landowners, many of whom are politically powerful, senior government officials say, Pakistan is finding it increasingly difficult not to take action, even if it only

Any international moves forcing the country to improve the working standards for Pakistan's farm labourers could include measures to restrict its agricultural exports, most notably of cotton products, which account for almost 60 per cent of the total.

of a symbolic nature.

s Shehnaz Wazir Ali, special assistant to the prime minister on social issues, defends the government saying: "Wherever the government has received information, it has not delayed for a moment its reaction and taken action". She adds: "In this day and age, where globally accepted values and principles of human rights, fundamental freedoms are accepted and certainly there ondage. is strong advocacy for them,
The campaign has raised it is untenable really for a

society to continue to turn a blind eye towards such practices of bonded labour". Under laws that introduced tough penalties in

1992 Pakistan made it illegal for landowners to give fresh loans to peasants or to take unpaid labour in lieu of repayment. The move was taken as a step to discourage the practice of forcing peasants in to bondage. A human rights ministry was established more than two years ago to promote the eradication of such practices.

Many human rights activists, however, say much tougher action will be needed to improve the situation significantly. Mr Ali Hassan, a Pakistani journalist who has actively supported the campaign to release bonded labourers says: "The basic reason [for lack of progress] is that most members of the parliament belong to the 'zamindari' [landowners] class who are more interested in the status quo than bringing about change". He adds: "The [human rights] ministry should be really empowered

to take tough action".

the government needs to attack the problem much more aggressively. The country still has few outlets for offering credit to the poor and illiterate, which forces many peasants to seek loans from landowners, running the risk of being exploited for a life-time. Another problem is that there are few opportunities for the rehabilitation of those who are

Heres to the state of

ESS LANG.

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Ms Ali agrees that more needs to be done to help former victims begin a new life. "In cases where bonded labourers have removed from the places of bondage and have been taken to other sites, I think we haven't provided sufficient support for them to rebuild their lives."

released from bondage.

Even if help eventually arrives from the government, victims like Jeema will continue to suffer. Her children still have to toil day after day in the blistering sun as manual labourers because they have not learnt any other skills. But at least now they get some money at the end of the day.

Outokumpu plans \$110m zinc boost

By Kenneth Gooding

Outokumpu, the Finnish mining and metals group that last year completed a Fm1.62bn (US\$360m), threeyear programme to expand copper and nickel production, is now turning its attention to zinc.

The group is to invest Fm500m to boost annual zinc production capacity at its Kokkola plant in Finland by about one third, from 170,000 tonnes to 225,000 tonnes by the end of 1998. Kokkola already accounts

for about 3 per cent of global refined zinc production and Outokumpu said the invest- 75 per cent.

COMMODITIES PRICES

ment would secure its com-

petitive position "far into the future". The company said it would use a new technology it had developed - a direct method of leaching zinc concentrates (an intermediate material).

This would improve productivity and bring down production costs. Outokumpu also provides about 1 per cent of the

China expects record harvest

China's grain harvest is expected to reach at least 465m tonnes this year, while cotton output is seen at 4.5m tonnes, scarcely affected by floods and typhoons, the

"These targets are within reach if no major calamity occurs before the autumn harvest," it said in its Agricultural Development Report.

The ministry said it hoped for a 471m-tonne grain har-

vest this year, up from 1995's

M WHEAT LCE (E per tonne)

110.45 +0.20 110.35 110.00 112.00 +0.20 112.00 111.90 113.95 +0.15 114.00 113.90 115.90 +0.05 116.00 115.75

117.90 -0.10 118.00 117.75

■ PLATINUM NYMEX (50 Troy oz.; \$/troy oz.) ■ WHEAT CBT (5,000bu min; cents/90ib bushel) ■ COCOA CSCE (10 tonnes; \$/tonnes)

458.25 +7.5 460.00 452.00 431.50 +4.25 431.50 428.00 284.00 +4 384.00 388.00 402.00 +6.5 402.00 402.00

333.25 +1.25 334.00 331.25 +1 334.75 332.50 - 306.00 305.00

100.65 +0.65 100.25 100.25 103.65 +0.50 103.50 103.50 105.65 +0.50 105.50 106.50 107.50 +0.35 107.50 107.50

M SCYABEANS CET (5,000bu min; conts/90b busis)

IE SOYABEAN OIL CST (80,000lbs: cents/lb)

SCYABEAN MEAL CST (100 tons; \$/ton)

POTATOES LCE (E/tonne)

-8.0 -

All futures data supplied by CMS.

Nuts and Seeds
Prices from Kenkko Group: USS a toone, transen pistachios 28/30 raw (in shall) naturally opened fround; 1995 crop 3,350 CFR/FOT MEP, steady, 1996 crop estimated at 85,000b - price indicated at 4,000, US almonds (sheled): 1996 crop, blanched, 23/25 NPSR AOL 6,390, shipment September-October; 18/20 NPS at 5,620; standard 5% 5,150 shipment September/October - all FAS California, US walnuts 1996 crop UHP 20%, 5,600 FAS California.

October - all FAS California, US welnuts 1996 crop LHP 20%, 5,600 FAS California, Jumbo Hartley No 1 indicated at 2,204. Turkish hazainuts, standard No 1, 1986 crop, government to decide boday what price to pay growers - fluctuation level will be 2,800-3,800 FOT MEP for shipment from September. Indian cashews raw. W-320, 5,750 spot Europe - down on lack of demand.

FREIGHT (BIFFEX) LCE (\$10/Index point)

773.25 +4 775.00 788.00 5.514 7,840 753.00 +1.25 758.50 748.50 2,598 14,242 743.25 +3.5 748.00 737.00 27,378 112,782

24.65 -0.02 24.78 24.90 5,424 4,005 24.81 - 24.95 24.74 4,848 18,846 24.98 -0.02 25.13 24.95 4,845 12,913 25.35 -0.07 25.55 25.33 7,056 35,382

242.4 -0.4 243.0 241.5 4.271 11,535 238.8 +0.4 238.8 237.3 4.882 15,820 233.9 +0.9 233.8 232.3 810 7,308 232.3 +1 232.7 230.3 7,306 25,672 232.6 +1.5 232.6 231.0 125 3,970 232.5 +1.1 232.5 231.3 352 3,832 18,534 73,780

+3 752.50 745.25 853 18,406 +3.25 758.50 752.50 361 7,924 +2.5 761.50 756.00 74 8,030

37,418 172,770

211 4,328 168 4,098 22,527 83,040

1,021 713

BARLEY LCE (£ per tonne)

453.75 +5.25 455.00 448.50 8,895 24,837 480.25 +7.25 461.00 452.00 8,170 34,201 458.25 +7.5 480.00 452.00 653 6,856 431.50 +4.25 431.50 422.00 14 239 394.00 +4 394.00 389.00 63 2,545

344.75 -1.25 356.00 344.00 15.024 82.349 321.00 +1.5 322.75 317.50 37.676 169.082 328.00 +1 329.50 325.25 4,105 38.011

Sugar pact chief sees downward pressure on prices together with good prospects estimated 5.5m-tonne surplus on interfor the 1996-1997 harvest in national markets during most most producing and exporting countries, would 1995-1996, world sugar prices are to come under downward take the world sugar econpressure, the executive director of the International omy into a phase of lower

"Raw sugar prices can be expected to fall to, or below, cents per pound, compared to 12 cents per pound currently, and white sugar to 13-14 cents per pound, compared to 17-18 cents per pound at the moment." He said that market ana-

lysts had been puzzled why prices had remained stubbornly high in the face of the looming substantial surplus and added that it could be partly explained by some plus represented 22 per cent slow starts to some crops

-4 1016 1001 1,059 40,573 -2 1033 1017 2,833 37,765 - 1041 1029 1,623 39,633

-8 1360 1336 3,827 17,229 -4 1403 1379 2,918 20,551 -2 1432 1420 605 18,850 -4 1447 1438 75 7,467 +1 1462 1462 2 5,941 +1 1474 1474 332 5,162 7,807 78,212

+8 1995 1545 1,013 12,871 -3 1530 1518 921 8,987 -5 1494 1480 89 4,129 -4 1457 1440 54 2,597 -14 - - 510 -3 1440 1425 - 159

1600

404 183

2,362 26,117

6 - 763 12,310 153,618

1040 386 20,206 1051 38 11,338 1064 129 3,319

market was placed in a diffihigh-quality white sugar and cult situation, with producer demand from unexpected nations, and especially tradisources such as Turkey, Pakistan and the Philiptional exporters looking to pines. "Nevertheless," he boost output. said "we feel that sooner or later, the underlying statistiin the centre-south of Brazil, cal situation will assert itself, and the level of the

affect prices." Mr Baron added that he believed investment fund positions in the sugar market had remained heavy, which had also been a factor in keeping prices high, especially in the New York market. He warned that an exit of funds from sugar markets could lead to an even sharper fall in prices. Looking to the future, Mr

Baron said the world sugar

world surplus will begin to

where some possibility to transfer cane to alcohol production exists, has already started and another crop in excess of 9.5m tonnes is expected in that region," he

"Production for 1996-1997

Thailand, he added, looked set for another record crop in excess of 6m tonnes, while South Africa would be back after five years of drought and Australia had increased the area sown to cane.

"Cuba's production, under foreign investors, will con- 1992," Mr Baron said.

JOTTER PAD

India, for the foreseeable future, will produce at least enough to cover consumption and is currently exporting at a rate of 1m tonnes a year. Mexico, too, is back as a net exporter."

He said he would not be surprised if Cuba stabilised its output around the 4.5m tonnes the the island produced this season and said it might even push production higher in the 1996-1997 crop.

We expect the world sugar market to enter an era like that experienced after the then record 1991-1992 crop when world average raw sugar prices fell to 8.97 cents per pound [1991] and the discipline provided by 9.06 cents per pound in

BERKSEY

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Samue Frank Manageri für

BASE METALS LONDON METAL EXCHANGE ■ ALUMINIUM, 99.7 PURITY (\$ per tonne) 1478.5-7.5 1474/3 1519/1507

High/low AM Official E ALUMINIUM ALLOY (\$ per to 1270-75 1267-72 E LEAD (S per tonne) Kerb close Open int. Total daily turnover 31.510 ■ NICKEL (\$ per tonne) 6980-90 6960-55 6875-86

6840-50 6805/6805 AM Officia 6900-05 Kerts close Open int. Total daily turnover 40,445 14,644 TIN (S per tonne) Close 6100-05 6150-55 6100-05 Kerb close III ZINC, special high grade (\$ per tonne) Close Previous High/low AM Official 1012-13 1015 1014-5 1041,5-2.0

66,094 ■ COPPER, grade A (5 per tonne 2043-8 2026-31 2044/2043 High/low AM Official IN LIME AM Official E/8 rate: 1.5412 LIME Closing E/S rate: 1.5415

Spot 15/21 3 miles 15/12 6 miles 11,541 8 miles 1,5/11 III HIGH GRADE COPPER (COMEX) 92.95 +0.45 93.30 92.80 193 2.548 92.50 +0.55 92.80 91.80 4.419 17.280 91.95 +0.50 92.00 91.40 43 17.84 91.40 +0.65 91.20 91.20 54 1.243 90.85 +0.65 90.90 90.10 1.447 15.371 90.35 +0.60 11 971

PRECIOUS METALS E LONDON BULLION MARKET (Prices supplied by N M Rothschild) 388.10-388.50 388.25 251.914 468.579 388.00 251.768 469.092 387.50-388.20

388,40-388,80 en Gold Lending Rates (Vs USS) "4,51 6 months ... __4.45 12 months_3.91 Stiver Fix Spot 505.00 511.80 517.85 531.50 335.85 344.80 £ equiv. 249-251

397.20-399.70

world's copper supply and 3 per cent of the nickel. The Fm1.6bn programme, the biggest in the group's history, lifted its copper smelting and refining capacity a and nickel output by about

Precious Metals continued

-0.2 388.6 388.4 97 906 -0.3 382.0 390.8 1,006 12,789 -0.3 384.7 393.7 10,859 75,936 -0.4 398.3 386.6 25 9,741 -0.4 399.0 389.0 837 5,897 -0.5 401.5 401.5 17 10,912 12,668 158,371

2,863 25,807

2,026 116 107

406.0 +1.6 407.4 404.0 2.362 19,955 407.8 +1.5 410.0 405.6 429 3,136 410.1 +1.5 410.5 410.5 72 2.360 412.5 +1.5 418.0 416.5 100 154 416.5 +1.5 417.0 417.0

130.55 +0.80 131,00 130.00 507 6,180

+0.8 502.0 502.0 - 4 +0.7 505.5 502.5 10.282 63,450 +0.7 513.0 510.5 1,248 26,935 +0.8 520.5 518.5 402 7,850 +1.0 525.0 525.0 14 5,516

131.45 +0.80 132.00 130.75 132.55 +0.80 - -

ENERGY

SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

E CRUDE OIL NYMEX (1,000 barrels, S/barrel)

21.10 -0.03 21.35 20.70 36.782 62.914 20.55 -0.09 20.79 20.20 11.302 45.582 20.00 -0.18 20.30 19.85 5,680 29.801 18.67 -0.12 18.87 19.42 5,198 38.973

-0.41 19.80 19.21 18.518 57,454 -0.41 19.43 18.86 11,533 44,041 -0.24 18.04 18.66 2,212 10,603

HEATING OIL NYMEX (42,000 US galls.; cfus galls.)

177.25 -0.75 178.25 177.00 5,185 19,207 176.25 -1,00 178.25 176.00 2,089 6,036

2.105 -0.022 2.120 1.980 5,486 19,189 2.185 -0.030 2.220 2.090 2.569 13,143

2270 -0.032 2.309 2.185 1.783 15.038 2280 -0.026 2.324 2.205 1,644 11.884 2.200 -0.026 2.240 2.130 632 6.979

61.10 -0.13 62.00 60.40 10,602 26,735 58,75 -0.19 59.45 58.10 3,224 6,407

55.80 -0.39 57.80 56.50 55.80 -0.44 56.50 55.80 55.40 - 55.80 55.40 55.85 - 55.85 55.85

174.50 -1.25 176.50 174.75 172.75 -1.50 175.25 173.25 170.50 -0.75 173.00 171.25

M NATURAL GAS IMMEX (10,000 mmBts.; ShamBts.)

19.17 3.307 28,382 19.05 1,359 19,849 68,486 351,882

5 1,239 10,511 0 775 5,716 28,034111,840

558 4,413 338 11,356 310 5,063 13,871 65,436

1,349 4,096 281 3,877 33 3,334 15 1,357

Abg Sep Oct Jan Apr Jai Total

GOLD COMEX (100 Troy oz.; \$/troy oz.)

Ministry of Agriculture said yesterday, reports Reuters from Beijing.

It said that the country's total grain acreage had expanded by one per cent in

> He said the current surof traded sugar and that, and a relative shortage of **GRAINS AND OIL SEEDS**

- 81 12,905 68,365

MEAT AND LIVESTOCK III LIVE CATTLE CME (40,000bs; cents/lbs

87.850 - 88.150 87.850 7,356 15,393 70.050 -0.500 70.500 69.900 7,077 88,467 67.275 -0.725 68.050 67.200 4,880 20,418 85.300 -0.525 66.825 65.250 1,266 13,073 66.800 -0.400 67.225 66.750 518 4,616 64.800 -0.575 65.375 64.750 201 2,319 III LIVE HOGS CME (40,000lbs; cents/lbs) 61,750 -0.025 62,000 60,275 2,637 4,773 61,751 -0.025 82,000 80,273 2,937 4,73 86,800 -0.175 85,935 55,855 6,460 14,467 56,575 -0.425 57,000 55,950 2,300 10,048 76,200 -0.475 76,300 75,800 211 2,639 74,000 -0.575 74,000 73,750 36 977 78,475 -0.325 78,500 78,000 46 1,018 78.475 -0.325 78.500 78.000 III PORK BELLIES CME (40,000lbs; cents/fbs) 104.475 +2 104.475 100.500 823 2,865 87.425 -2 89.750 87.425 86.825 -1.925 89.000 88.550 85.400 -2 87.400 85.400 84.150 -1.75 85.700 83.900

LONDON TRADED OPTIONS Strike price \$ tonne — Calls — — Putis —

> 147 79 36 3 28

138 93 60 1900 . 20 55 114 73 32 2100 Sep 71 108 156 73 58 46 82 67

LONDON SPOT MARKETS E CRUDE OIL FOB (per barrel) +0*-

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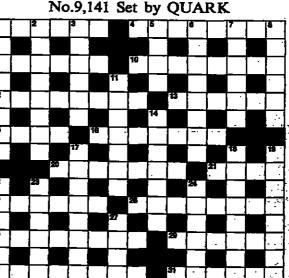
OIL PRODUCTS MYE

13.60-13.70 -0.025 m Argus. Tel. Landon (0171) 359 8792 ■ OTHER -1.50 -0.50 +0.50 505.50c

Lead (US prod.) Tin (Kuste Lumpur) Tin (New York) 15.10r 288.50 +2.00 96.03p 102.510 105.96p Lon. day sugar (raw) Lon. day sugar (wts) Borlow (Fox. foxed) \$909.30 peney (Eng. 1994) Maize (US No3 Yellow) \$141.5x Flubber (Jul)\ \$9.00p Rubber (Aug) P Rubber (KL RSS No1)

325.50m 790.0w Pairn Oil (Maley.)§ Copra (Phil)§ Sovebeens (US) \$477.5 \$502.0v 214,0

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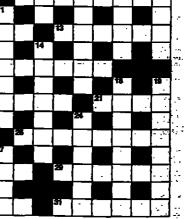
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boundary (4) 25 Find the officer in former surroundings (6) Substance used by scientist treated lame chick mostly 28 12 plus tens (8)

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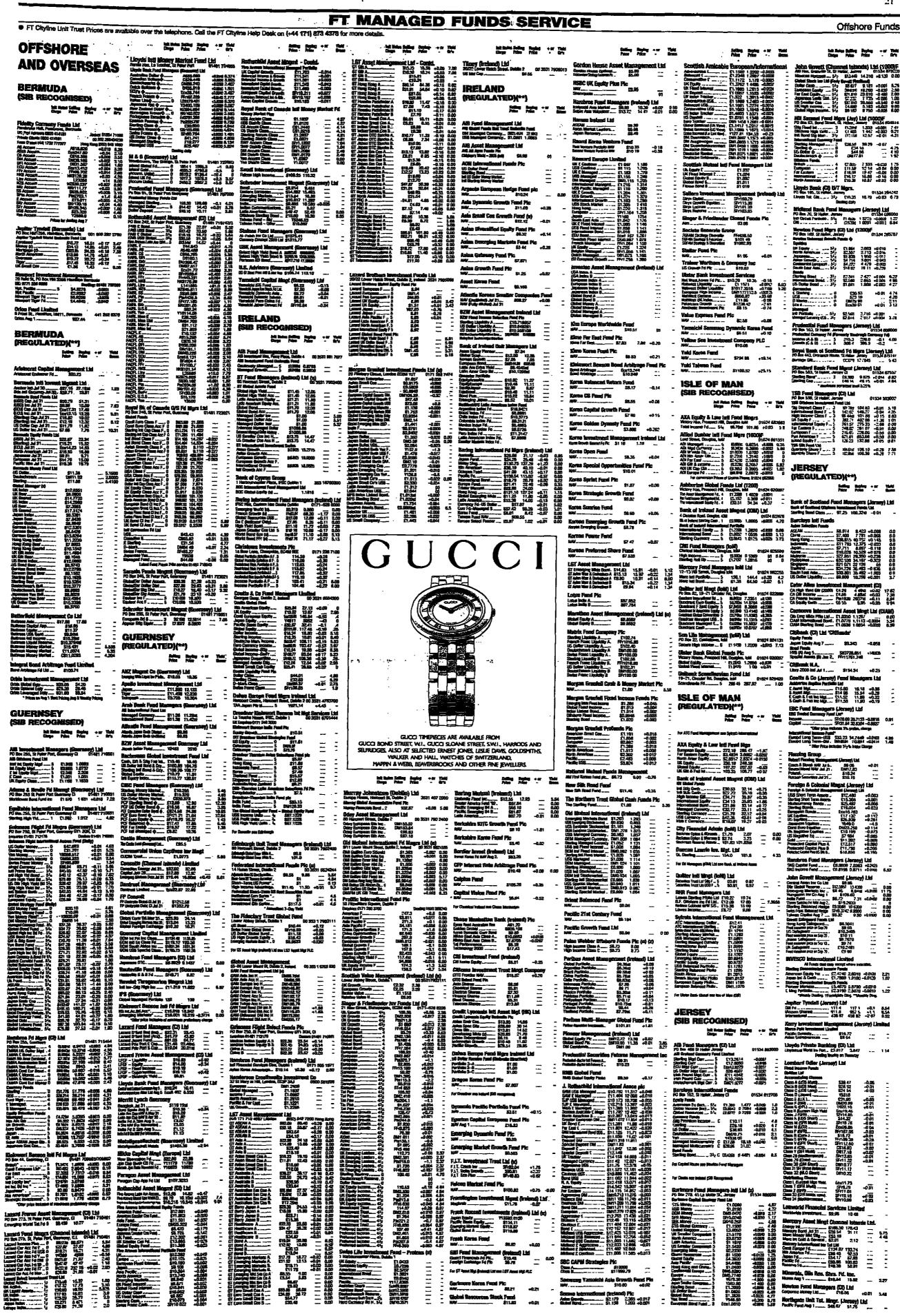
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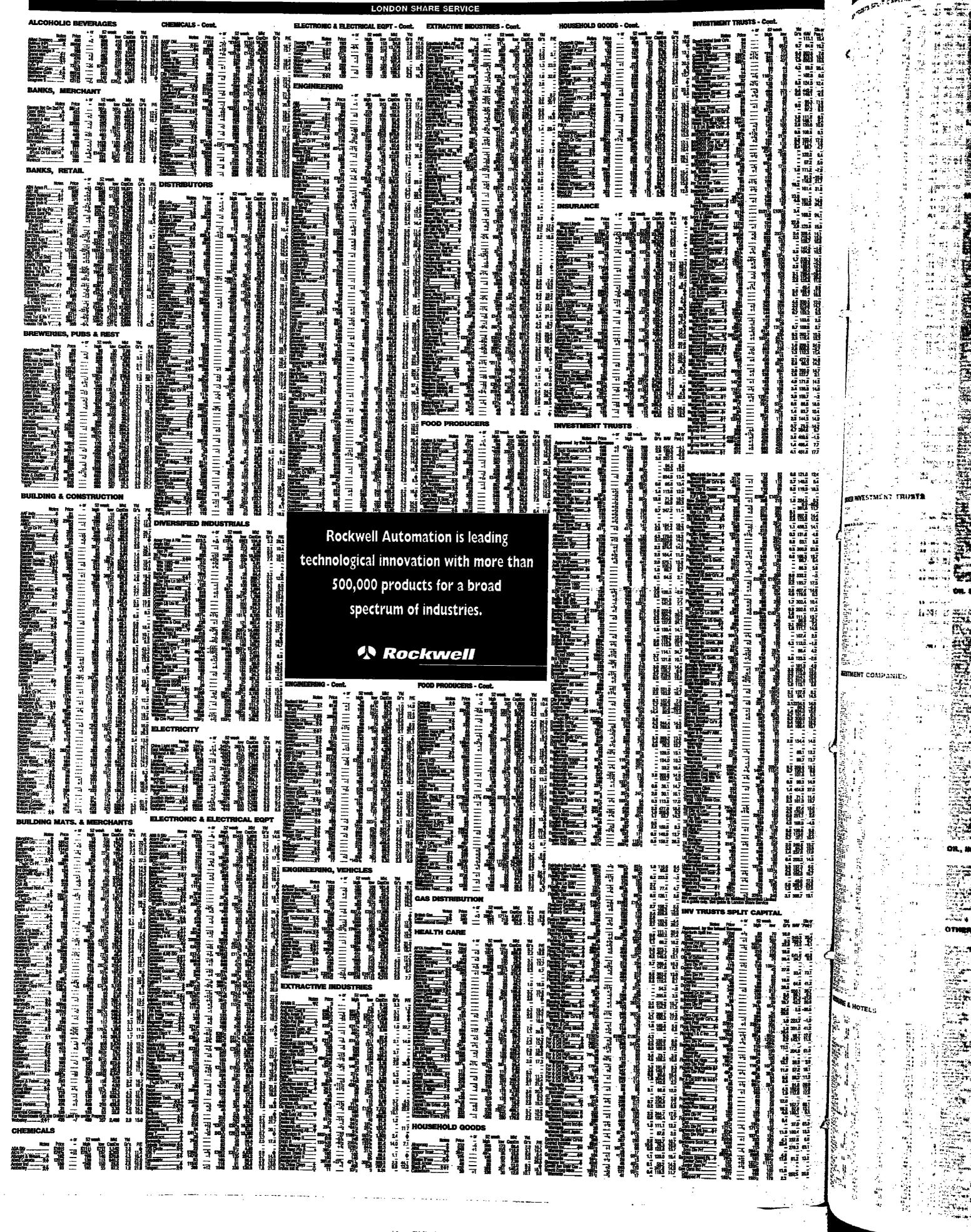
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FINANCIAL TIMES THURSDAY AUGUST 8 1996

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OTHER FINANCIAL

LONDON STOCK EXCHANGE

FT-SE 100 index regains the 3,800 level

By Philip Coggan, Markets Editor

The FT-SE 100 index moved up towards the top end of its recent 3,650-3,850 trading range yesterday, despite a warning from the Bank of England that interest rates would need to rise if the government is to meet its inflation target.

It was hard to pin down the exact reason for Footsie's rise. A dash of takeover speculation certainly helped but the day's corporate results, while generally as good as, or better than, expectations, saw three of the four reporting Footsie constitu-

Whatever the cause, Footsie recorded its sixth consecutive gain, adding 22.7 points to 3,811.1. 1997. Gilts were supportive, with It was ahead throughout the session, and held on when the Dow Jones Industrial Average, after an early rise, slipped to an 8 point loss by the close of London trading. The FT-SE Mid-250 index added 15.5 to 4.309.

The Bank's views on rates, which were published in its quarterly inflation report, had been well aired in the weekend press and traders greeted the news with equanimity. Short sterling futures, the market's vehicle for

weakened a little but were still only looking for base rates to edge up to 6 per cent by March the benchmark 10 year issue rising by an eighth of a point.

Whatever the economic arguments, the market is aware that the chancellor has political reasons to cut rates. And, on the electoral front, traders yesterday reacted positively to the latest either Reuters or Pearson, the opinion poll which showed the Conservatives narrowing the gap

Figures from Abbey National, Standard Chartered and GKN were mostly in line with expecspeculating on rate changes, tations but profit-taking, and "there are a few fairly wild take-

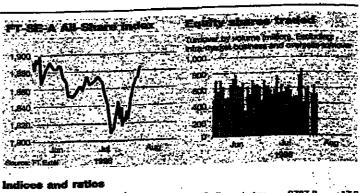
of a buy-back from Abbey, took one must remember we're in the the shine off the shares.

But buils could take cheer from renewed hopes of a multi-billion pound takeover. Last week, the rumours centered on Unilever and Cadbury Schweppes; yesterday, on top of some renewed utilities talk, the gossip concerned Reed, and a possible move for media group which owns the Financial Times, Analysts however, were dubious about the likelihood of such a move.

Mr George Hodgson, UK equity strategist at SBC Warburg says

some disappointment at the lack over stories flying around and middle of the summer and volume is thin. Results have been pretty positive but, while financials have done very well, industrials have looked good only in relation to reduced expectations."

Turnover received a lift from a £100m plus programme trade, which was designed to rebalance the UK portfolio of a foreign institutional investor. By the 6pm count, the number of shares traded was 808.9m. The value of retail business on Tuesday was £2.16bn, the healthiest level for some time, thanks to the Barclays buy-back programme.



indices and ratios	
FT-SE 100 3811.1 +22.7 FT-SE Mid 250 4308.0 +15.5 FT-SE-A 350 1908.0 +10.4 FT-SE-A All-Share 1883.21 +10.05 FT-SE-A All-Share yield 3.91 3.92	FT Ordinary index 2787.8 +17.5 FT.SE-A Non Firs p/e 17.11 16.84 FT.SE 100 Fut Sep 3819.0 +22.0 10 yr Gilt yield 7.74 7.78 Long git/equity yid ratio 2.07 2.08
Best performing sectors	Worst performing sectors 1 Pharmaceuticals
Gas Distribution+1.5	2 Health Care0.3 3 Extractive Inds0.3
Retailers : Food+1.5 Media+1.4 is Secretity+1.2	4 Electronic & Elec

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Brokers warm to Reuters

News and financial information group Reuters was the second best performer in the FT-SE 100. climbing 22 to 729p, the first real sign of a bounce since it last month.

A number of brokers have recently turned more positive on the stock, including made a "buy" recommendation last week.

said to emanate from Holbid today at its half-yearly results. Analysts poured scorn on rumours that Reuters or Pearson might be a city.

be both an expensive mouthful for Reed, as well as an impossible hostile bid target given its share structure, while the time to strike at Pearson might have been better aimed last week when it reached a two-year rela-

Other more persistent rumours were that Reed might have Blenheim or the information service Bloomberg in its sights. Shares in Reed International, the UK arm of Reed Elsevier, added 21 to 1150o.

expected results and the Westminster Press disposal.

Better than expected half-year results, with profits up by 39 per cent, helped Metal Bulletin add 63 to 1063p.

Stake in P&0

on some steam following the early morning announceasset management wing of weakened after its results. UBS, had built up a 10.1 per cent stake in the company. PDFM has a long history of buying heavily into under-

Transport leader P&0 put

performing or underman-aged companies. They like to get in early and go for the long ride," said one top Analysts, however, were transport analyst yesterday. trading, P&0 shares have

land, that Reed Elsevier may moved sideways lately. Ferannounce an acquisition or a ries are embroiled in a price war with Eurotunnel and container shipping is facing signs of industry overcapa-

The shares have lagged Reuters, they said, would the market by 4 per cent over the past three months. They bounced 10 to 506p yes-

Elsewhere in the sector. Railtrack partly-paid put on 41/4 to 231p in the hope that the group's report and accounts, due out today, will provide good news on trad-

relief about the better than action following a strong revival of takeover and

share buy-back talk. Rumours of an impending US bid swept through the recs sector after a Virginian newspaper reported that Dominion Resources, which owns state generator Virginia Power, had been refused permission to mount an offer for East Midlands

Electricity. Although East Midlands denied it had been approached by a US bidder,

story to a handful of stocks.

the press report brought the US takeover spotlight back directly into focus. Among Footsie stocks, Southern gained 22 to 683p and Power-Gen 7 to 503p. London added 18 to 638p. Yorkshire went up 20 to 723p and Northern

14 to 548p. East Midlands ended 14 Volume throughout the sector was relatively modest.

Among waters, Severn Trent bounced to the top of the Footsie rankings as investors were said to have narrowed their search for the next share buy-back

There was said to have been a Severn Trent buy order for 500,000 shares. The stock closed up 18 at 597p. Most brokers set little store by the buy-back hopes. Tesco added 5 to 296p, with

UBS reiterating its "buy" stance and upgrading its forecasts for the next three years, including an increase from £730m to £745m in the current year.

UBS said it was optimistic about improved like-for-like sales in years two and three. It also said that the Czech and Slovak outlets of K-Mart, which Tesco agreed better at 597p in 2.3m traded. to acquire in March, were likely to contribute more than previously expected

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FINANCIAL TIMES EQUITY INDICES

	Aug 7	Aug 6	Аша 5	Aug 2	Aug 1	Yr ago	"High	"Low
Ordinary Share	2787.8	2770.3	2775.1	2772.A	2748.2	2596.7	2885.2	2668.8
Ord. div. yield	4.06	4.10	4.10	4.10	4.14	4,08	4.22	3.76
P/E ratio net	16,43	16.33	16.34	16.33	18.20	15.65	17.25	15.80
P/E ratio nil	16.27	18.17	16.18	16.17	16.03	15.45	17.03	15.71
Ordinary Share Inde	r ajuda co	mpilation:	High 2885.	2 19/04/96	t low 46/	25/06/40	Base Dat	e: 1/7/35.
Continuos Share	house	-						

Open 9.00 10.00 11.00 12.00 13.00 14.00 15.00 16.00 High Low Aug 7 Aug 6 Aug 5 Aug 2 Aug 1 Yrago SEAQ bargains Equity turnover (Cm)† Equity bargains† Shares traded (ml)† 32,267 31,412 33,461 33,225 29,980 22,881 - 2159.8 1390.3 1830.4 1638.3 1872.9 - 37,678 39,081 36,512 31,575 35,040 - 628.0 507.0 835.6 512.7 832.0

Aug 7 Aug 6 Aug 5 Aug 2 Aug 1 Yr ago 116th "Low 1053.10 1045.00 1046.20 1040.60 1044.10 - 1140.40 965.70

Pites and falls*		52 Week highs	and lows	LIFFE Equity opt	ions
Total Rises	717	Total Highs	59	Total contracts	83,087
Total Falls	526	Total Lows	25	Calls	36,124
Same	1.459	I	-	Pubs	48,963

Despite the Bank of about the trading outlook. England's cautionary inflation report, growing confidence that interest rates will not rise assisted several retailing stocks, particularly Argos, which has interims surprised by the extent of

on August 19, rose 11 to 745p, Kingfisher put on 13 to Abbey ended off 14 at 587p 638p and MFI Furniture added 7 to 187p. Speculation about a share and Standard closed 13 lower at 699p. Barclays was again the top performer in the secbuy-back helped boost ICI 10 tor, up 27% to an all-time high of 900p. Shares have jumped more than 6 per cent

> GKN, a strong market over broker upgrades.

bounced strongly in aboveaverage volume. Over the past month the shares have the lagged the market by around 7 per cent as some brokers have taken a generally cautious stance. Many saw the BET bid as a slowing markets.

to 796p. Analysts dismissively said they had also

heard rumours of a bid from

Germany for the chemicals group, but pointed to a slight

stock shortage as the most

Support services leader

Rentokil, which has been a

dull performer since it com-

pleted the takeover of BET,

likely cause for the rise.

At all events, sentiment swung back on to the offenended at the top of the Footsie charts, up 121/2 at 404p in 7.6m traded.

The latest round of solid results statements from the banking sector found no favour with investors yesterday and both Abbey National and Standard Chartered moved sharply lower.

appeared to run into profittaking in spite of a general move by brokers to upgrade full year profit estimates. The reaction at Abbey

National, which turned in the day's worst Footsie performance, was more puzz to banking analysts. T was disappointment at absence of share buy-l FT - SE Actuaries

news plus some doubts FUTURES AND OPTIONS FT-SE 100 INDEX FUTURES (LIFFE) \$25 per full index point

"The bank's net share of the mortgage market has shaded and there seem to have been slacker trends in retail banking", said one analyst. "Even so, I'm a bit

the shakeout", he added.

the past few days, ran into profit-taking in spite of better-than-expected interim figures, which sparked modest LONDON RECENT ISSUES: EQUITIES TRADING VOLUME

570	F.P.	15.4	78	72	TAN	D HB		72		-	-	-	
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other symbols please	refer to	The Lon	ODP Share	Service	notes.			
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	6	on 627	5	ago (yield %	ratio	High	Low
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m Regional Indices								
Africa (13)	2732.07	-1.6	2775.96	26331.72	2.96	35.21	3553.86	2272.74
Australiana (7)	2378.21	+1.4	2344.94	2469.70	2.40	22.57	2927.34	2123.50
Horth America (11)	1840.96	+0.0	1840.19	1712.62	0.72	66,76	2186.39	1488.94
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s Sha	re l	ndic	es					T	ie Uł	⟨ Se	ries
Ац	7 ct	ay's nge%	Aug 6	Aug 5	Aug 2	Year ago	Dīv. yleid%	Net cover	P/E >		Total Return
38	11.1	+0.6	3788.4	3788,3	3770.6	3468.3	4.10	2.07	14.71	113.62	1570.31
	0.20	+0.4	4293.5	4288,4	4265.7	3858.2	3.49	1.61	22.28	121.74	1742.25
43	40.5	+0.3	4325.9	4319.2	4298.2	3873.4	3.59	1.64	21.20	28.52	1758.50
19	0.80	+0.5	1895.6	1895.1	1896.0	1728.7	3.97	1.99	15.86	56.28	1605.04
184	40.9	+0.6	1830.6	1834.3	1823.8	1724,5	5.25	1.91	12.49	71.74	1301,72
187	78.5	+0.5	1988.0	1963.2	1955.5	1735.9	2.79	2.13	21.11	41,24	1375.30
211	1.27	+0.4	2106.04	2100.18	2094.10	1940.70	3,13	1.69	23.84	42.12	1743.21
210	4 A1	40.3	2047 04	2091 37	SORT RO	1017 22	3 36	1 77	21 05	44 24	1746 60

T-SE-A 350	1906.0	+0.5	1895.6	1895.1	1896.0	1728.7	3.97	1.99	15.86	56.28	1605.04
T-SE-A 350 Higher Yield	1840.9	+0.6	1830.6	1834.3	1823.8	1724,5	5.25	1,91	12.49	71.74	1301,72
T-SE-A 350 Lower Yield	1878.5	+0.5	1988.0	1963.2	1955.5	1735.8	2.79	2.13	21.11	41,24	1375.30
ſ-SE SmallCap	2114.27	+0.4	2106.04	2100.18	2094.10	1940.70	3,13	1.69	23.84	42.12	1743.21
T-SE SmallCap ex linv Trusts	2104.81	+0.3	2097.94	2091.37	2087.80	1917,22	3.36	1.77	21.05	44.34	1746.69
T-SE-A ALL-SHARE	1583.21	+0.5	1873.16	1872.28	1863.56	1709.33	3.91	1.97	16.26	54.22	1610.09
FT-SE Actuaries All-Share											
		Day's				Year	Div.	Net	P/E	Yd adi	Total
	Aug 7 o		Aug 6	Aug 5	Aug 2	880	yield%		ratio	ytd	Return
10 MINERAL EXTRACTION(24)	3557.36	40.4	3541.63	3530.89	3506.94	2032 04	3.82	1.63	20.08	79.25	1532.72
12 Extractive inclustries(6)	4092.20				4121.75			2.52			1204.20
15 Oil, Integrated(3)	3857.16				3588.36						1616.07
16 Oil Exploration & Prod(15)	2527,86				2505.48						1522.48
20 GEN INDUSTRIALS(276)	1992.66										
21 Building & Construction(34)	1134.75				1977.01 1123.09						1097.81
22 Building Matis & Merchs(29)	1842.99				1821.89			1.67			953.67
23 Chemicals(25)	2402.45				2371.99			1.71			937.74
24 Diversified Industriate(19)	1513.43				23/1.89 1495.99			1.61			1148.71
25 Bectronic & Bect Equip(37)	2299.73				1499-99 2324.98			1.69			854.93
26 Engineering(71)	2431.09				2324.9 8 2410.85			1.65			1208.96
27 Engineering, Vehicles(14)	3055.03				24 10.63 3005.58			243			1487.26
28 Paper, Pckg & Printing(28)	2598.85				2573.63			2.01			1597.A2
29 Textiles & Apperei(19)	1263.01				25/3.63 1278.10			1.99			1090.84
									14.15	42.36	779.77
CONSUMER GOODS(81)	3605.48				3621.40			1.94			1341,41
32 Alcoholic Beverages(8)	2799.21				2784.84			1.62			1023.48
S Food Producers(24)	2511.12				2525.24 .			1.85			1145.33
34 Household Goods(15)	2559.01				2525.56			2.15			983.01
36 Health Care(20)	2009.21				2015-18			216			1227,98
37 Pharmaceuticals(13)	5250.08	-0.5	5275.29	5337,13	5298.10	4192_93	3.22	2.07	18.76	91.73	1786.89

+1.6 4303.21 4349.80 4379.45 4413.33 6.00 2.06 10.14 156.18 1097.96 +0.7 2487.04 2487.37 2480.55 2159.60 2.93 1.99 22.56 55.68 1313.60 0.42 2720.43 2715.12 2715.54 2689.50 3.20 1.74 22.40 54.16 1013.41 0.3 3125.10 3123.96 3123.31 2476.83 2.76 1.96 22.93 184.38 1694.02 1.4 415.594 4087.85 4078.50 3220.31 2.20 1.84 30.85 59.85 1516.80 1.5 1995.75 1997.59 1995.42 2160.21 3.79 2.32 14.26 48.71 1299.57 0.1 2074.76 2084.92 2088.20 1779.80 3.04 2.13 19.34 47.32 1198.74 1.4 2388.91 2405.80 2404.80 1724.95 1.83 2.29 28.25 33.52 1546.96 0.3 2375.73 2373.22 2377.03 2324.80 4.00 0.93 33.47 56.33 1002.06 s, General(43) les, Pubs & Rest.(24) Support Services (4 49 Transport(22) +1.1 2305.72 2296.62 2296.76 2506.06 5.47 1.93 11.50 151.55 1035.05 +1.2 2432.78 2414.59 2399.24 2994.03 6.60 2.45 7.74 404.44 1319.81 +1.5 1300.42 1310.02 1313.22 1906.21 9.08 1.38 10.14 66.67 692.15 +1.0 1961.74 1944.92 1938.44 2999.50 4.09 1.73 17.65 50.20 915.45 +1.2 2196.24 2180.66 2162.21 2096.16 5.94 2.36 8.91 88.50 1253.02 60 UTILITIES(35) 68 Water(12) 69 NON-FINANCIALS(56) +0.5 1973.12 1975.08 1987.22 1834.02 3.89 1.88 17.11 58.10 1522.50 73 Insurance(22) 74 Life Assurance(6) 80 INVESTMENT TRUSTS(126) +0.6 3107.70 3109.71 3083.59 2920.70 2.26 1.11 49.67 45.52 1087.96 3127,30 1883,21 +0.5 1873.16 1872.28 1863.56 1709.33 3.91 1.97 16.26 54.22 1610.09

3802.5 3801.3 3802.3 3801.2 3804.7 3813.7 4301.5 4302.3 4304.5 4305.5 4306.9 4306.3 1901.9 1901.5 1902.1 1901.8 1903.3 1807.0 3813.1 4309.2 1906.8 3815.8 3794.7 4310.2 4295.2

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A profits warning from Applied Distribution sent the shares down 53 to an all-time low of 92p **Utilities active** Pearson continued to rise. Utilities, both water and up 9 to 654p, with the help of electric, bounced back into

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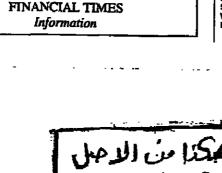
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· ·	FINANCIAL TIMES TH	URSDAY AUGUST 8 1996	-				
ELE STATES	Highs & Lows shown on a		*				27
	+/- High Low Yes P/E	+/- High Low Yes +/- High Low	74 P/E +/- Hab low Yu ne	TOCK MAR	KETS		
	EUROPE AUSTRIA (Aug 7 / Sch) AUG 7	30 - 504 357 20 1.4 - Venta 78.67 +1.07 85 55 50 90 - 9.518 78 97.0 1.7 - Venta 461 +1 550 420 461 +1 550 420 461 +1 550 420 461 +1 550 420 461 +1 550 420 461 +1 550 420 461 +1 550 420 461 +1 550 420 461 +1 550 420 461 +1 550 420 461 +1 550 420 461 +1 550 420 461 +1 550 420 461 +1 500 420 120 120 120 120 120 120 120 120 120 1	Proceedings	+/- Buth Low Yel PME 5 145 -41 187.20 125 1.2 Farmint 4 5 138 -41 187.20 125 1.2 Farmint 4 5 138 -41 187.20 125 1.3 Farmint 4 6 141 +22 143 173 1.3 Farmint 4 8 144 +1 147 18 2.5 Farmint 4 9 105 -2 147 105 2.5 Farmint 7 9 105 -2 147 105 2.5 Farmint 7 9 105 -1 25 89 3.0 Farmint 3 80 218.50 -1 276 380 1.2 Farmint 7 80 218.50 727 2.4 6 1.5 Farmint 7 80 218.50 726 1.5 7 80 218.50 726 1.5 7 80 218.50 726 1.5 7 80 218.50 726 1.5 7 80 218.50 726 1.5 7 80 218.50 7 8	+/- Maph Low Yis PME 1,880 +10 \$,130 3,640	+/- Nam Lee Vid Pris +/- Migh Lee Vid Pris 20.20 -04.23.20 No.0 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	4 P/E Sales +/- High Low 5 40 Bridden 5 5 7 7 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8
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add to recent gains

Wall Street

US share prices fell away in late morning trading after a firm start, in spite of a continuing rally among semiconductor and construction stocks, writes Richard Waters in New York.

A surge in prices late on Tuesday carried over to yesterday morning, lifting the Dow Jones Industrial Average by 23.3 points soon after trading opened. However, the rally lost momentum as profit-taking took over, send-ing the Dow back to where it had started the day. At midday, the index was unchanged at 5,696.11.

The Nasdaq composite fared better, holding on to some of its early gains to trade at 1,131.79, a rise of 2.92, while the Standard & Poor's 500 fell back 0.25 to 662.13.

Semiconductor stocks added to recent gains in anticipation of the publication, due later in the day, of the industry's "book-to-bill"

This indicator, which compares orders for new chips with current shipments, was robust picture of new orders pany, rose sharply for the 250 cents to 132 rand.

after several weak months. jumped \$3 to \$25 on a more optimistic earnings forecast from Merrill Lynch.

The biggest declines among Dow stocks during the morning came from Chevron, Exxon and Texaco, echoing weakness among oils companies generally. Chevron was trading at \$58%, a fall of \$1%, while Exxon was down \$1% at \$82% and Texaco was off \$% On the NYSE Westing-

house Electric shed \$% to \$16%. Another creation of a giant media acquisition, Time Warner, lost \$% to \$36% as it emerged that the company was in discussions with its biggest shareholder, Seagram, after a prolonged stand-off between the two. Concern that Seagram would sell its stake has been among the factors weighing on Time Warner's shares. which are trading 20 per cent below their 52-week

Oxford Health Plans, a managed healthcare com-

new record, in spite of a day. Oxford rose \$212, or 6.5 delay in the introduction of per cent, to \$44. bringing its multimedia Pentium its advance since the beginchip. Micron Technology ning of the week to 17 per

Canada

Toronto crept higher at midday, with the TSE 300 composite index up 4.22 at 5,028.48. TeleGlobe was up 75 cents at C\$23.40 after the telecommunications company named a new president and chief executive officer late on Tuesday; among other buoyant high tech stocks, Hummingbird Communications was C\$1.05 better at C\$37.65.

SOUTH AFRICA

Equities were upset as a weak rand and fears of a poor July reserve figure rise in interest rates. The overall index lost 39.4 at 6,721.1, the industrial index weakened 46.7 at 7,958.0 and the gold index was off 23.8 at 1.809.0.

Amic was down 500 cents

Dow subsides, semis Surprise results lift Schering 5.9%

tor and another scare at Metallgeselischaft gave the end of the day that what FRANKFURT plenty to bite on, as the Dax index moved to an Ibis-indicated 2,541.41,

up 13.68 on the day.

Schering's 32 per cent rise in first half earnings, and the forecast of a gain of a third in profits for the year, was well ahead of analysts' forecasts. The shares easily topped the Dax 30 performance charts with a gain of DM6.15. or 5.9 per cent, at DM110.50. Mr Mark Tracy at Goldman Sachs added that the group's recent strategic deals, with Abbott in imaging and Leiras, and Jenapharm in hormones, had also strengthened its thera-

In banks, Dresdner managed a rise of 47 pfg to DM41.55 after a 44 per cent jump in six month operating profits but its denial of merger talks with Bayernhypo, down 19 pfg at DM43.86, took some of the steam out of the sector. Bayernverein, the most recently effervescent, fell DM1.04, or

peutic presence.

1.9 per cent, to DM53. Financials, however, were also enlivened by a real deal: the German Federal Cartel office's cautious welcome to subsidiary share stake swans half was in line with expec-

Meanwhile, it seemed at

might have been an extremely expensive mistake in the LME copper options market had been broadly settled. Metailgesellschaft, which had a previous, nearfatal accident in oil trading. was named as the prime mover. The company explained it only had a minority interest in the copper brouhaha, and fell 30 pfg

to DM26.88. AMSTERDAM digested first half figures from both Akzo Nobel and Hoogovens, and found particular pleasure in the latter, marking the shares up F18.90, or 6.8 per cent. to Fl 61.20. Akzo retreated from a high of Fl 193 to close with a gain of

Fl 1 at Fl 189.70. The AEX index was also in good spirits, rising 5.65 to 553.44. Analysts said that they were pleased with the Hoogovens interim figures, which matched expectations, and defied fears that the group might release disappointing results.

As far as Akzo was concerned, sector analysts felt that the company had put in a good performance and that its forecast for the second

matsu NNK, another specu-

lative stock, plunged Y480 to

Indian traders said that sev-

eral domestic funds, includ-

Y80 to Y6,790.

Y8,210.

Roundup

A welcome surprise in with Allianz left Munich Re pharmaceuticals, mixed registered up DM75 at pickings in the banking sec-THE EUROPEAN SERIES Open 10.30 11.00 12.00 13.00 14.00 15.00 Close Hourly changes FT-SE Eurotrack 100 1841.05 1841.88 1842.90 1642.85 1842.42 1843.08 1841.97 1841.25 FT-SE Eurotrack 200 1700.11 1700.70 1700.27 1702.35 1899.85 1701.72 1701.77 1702.51 Aug 5 Ang 6 1809.16 1867.27 1641.58 1631.55 1684.27

PARIS equity trading, once again, was affected by weakness in the franc. The CAC-40 index eased 2.60 to 1,996.74, in turnover of FFr2.6bp. Accor was the day's heavi-

est loser, down FFr18, or 2.7 per cent, at FFr640, as Merrill Lynch cut its earnings forecast for the hotel group to Ffribn from FFri.2bn for 1996, and to FFr1.3bn from FFr1.7bn for 1997. The group is due to release half year sales data tomorrow, and Merrill expects these figures to confirm the slowdown in both French and German hotel room occupancy rates. Eurotunnel put in the day's best performance, with

a rise of 35 centimes, or 4.3 per cent, to FFr8.45, as more investors took a positive view of the group after the earlier this week.

L'Oreal, which reported a

Cement and steel shares

jumped on higher product prices. DCM Daewoo Motors

jumped Rs6.25, or 15.6 per

cent, to Rs46 on its plans for

a rights issue; this followed

the recent news that Daewoo

Motor of South Korea was

considering expanding its

stake in DCM from 51 to 75

KUALA LUMPUR pushed

United Engineers (UEM) higher in late trading, help-

ing the market after the gov-

ernment approved new road

toll rates for UEM's wholly-

owned Projek Lebuhraya Utara Selatan (PLUS). UEM

rose 50 cents to M\$18.00,

leaving the KLSE composite

sales, added FFr21, or 1.4 per cent, at FFr1,548.

MILAN took the Stet privatisation news coolly, and the stock fell steadily throughout the session, closing off L237, or 4.7 per cent, at L4,765. The government said late on Tuesday that the telecoms group would be sold off between February 1 and March 81.

One explanation of Stet's fall was that some institutions were taking profits following a good rise as the market anticipated the announcement. However, ment that the sale of major non-core assets, such as Italtel had not been given either a definite go-ahead or date. A number of commentators also felt that the announcement fell short of the industry shake-up that

had been eagerly awaited.
Tim, the mobile telephone operator, fell L8 to L3,270

recovery in sentiment against profit-taking in lead-

ing Pudong shares after rises

in the previous few days.

The B share index ended off

intra-day highs, but still

at 51.913 in turnover of

\$12.9m. Shanghai Lujiazui

Finance and Trade Zone

Development led active

stocks, rising \$0.024, or 2.75

per cent, to \$0.894 in 8m

BANGKOK decided that

the promised support fund

for the market was an

advantage again and reversed Tuesday's falls. The

SET index ended 7.85 higher

0.940, or 1.8 per cent, higher

The Mibtel index essed 81 to 9,634, off a low of 9,582,

while the Comit shed 4.99 to ZURICH took its one from the dollar, US bonds and the Dow, and the SMI index closed 33.6 to 3,662.6 in modest volume. ABB put on another SFr14 at SFr1,483 shead of today's half year

figures from the engineer; in

banks, SBC, due to report

next Wednesday, climbed

SFr5.25, or 2.25 per cent, to

SFr240.25. MADRID was shaky, withsharp bond market losses weighing on prices. Utilities were down as a class; Tabacalera fell a further Ptal70 to Pta5.060 on the threat of a price war with Philip Morris; and Repsol dropped Pta60 to Pta4,160 on uncertainties overhanging the oil industry after the announcement of US sanctions on investments

in Libya and Iran. DUBLIN was encouraged by good results from some UK banking stocks, and the sector rose 1.7 per cent as the ISEQ overall index firmed 27.59, or 1.1 per cent, to 2,518.7. Relatively small deals pushed AIB up 6p at 850p and Bank of Ireland 8p at 450p.

Written and edited by William

SEOUL started with under-

priced, large-capitalisation

stocks and moved on to

broadly-based buying which

left the composite index 5.98

five-day winning streak, the

Hang Seng index ending 7.06

lower at 11,127.54 in turnover

down from HK\$5.98bn to

HK\$4.59bn. Giordano, the

retailer, dropped 60 cents to

HK\$6.00, after a year's low of

HK\$5.85 on lower than

expected interim results. Hong Kong Aircraft Engi-

neering (HAECO) rose 50

cents to HK\$20.10 after a

small rise in half year prof-

points higher at 834.03.

Mexico supported by rate cut

The region's equity markets were cautiously higher in midsession trading.

up 15.11 at 3,221.89 by midday. SAO PAULO was holding its

MEXICO CITY was encouraged by a fall in data showing that the country's i production rate had risen by more per cent during May, a figure higher than expectations. The IPC i

SAO PAULO was holding its own with the

economic	investors were digesting news that a local
industrial	broker had downgraded Telebras, one of the
than 13.2	market's leading stocks. BUENOS AIRES
that was	was also impassive at midday, and the Mer
index was	val index had risen 2.57 to 553.70.
FC WEEK	LY DIVESTABLE PRICE INDICES

			Dollar terms		STABLE PRICE INDICES Local currency tenns		
	No. of	August 2nd			August 2nd		
Market	stocks	1996	over week o	m Dec '95	1996	over week	on Dec '95
Letin America	(249)	530.54	+4.3	+12.5			
Argentina	(31)	<i>8</i> 36.86	+7.7	+4.5	512,764.60	+7.7	+4.3
Brazil	(68)	370.08	+4.3	+21.2	1,398.03	+4.3	+25.9
Chile	(43)	733.80	-0.3	-2.0	1,213,11	+0.3	-0.5
Colombia ¹	(15)	605.34	+2.3	+1.2	1,129.84	+1.7	+7.7
Mexico	(66)	525.15	+6.5	+15.9	1,705.85	+5.7	+13.3
Peru ⁻	(21)	227.73	+5.8	+15.5	342.49	+6.6	+23.3
Venezuela³	(5)	498.57	+4.4	+49.1	5,415.52	+4.6	+107.5
Asia	(632)	249 .17	+0.7	+7.3			
China*	(24)	57,33	-1.9	+6.0	60.14	-1.9	+5.8
South Korea ^s	(145)	103.82	+1.7	-17. 6	111.05	+1.6	-13.5
Philippines	(35)	313.27	+4.1	+20.7	396.44	+4.1	+20.5
Taiwan, China	(83)	140.04	+1.5	+24.2	144,59	+1.4	+25.1
ndia ⁷	(76)	93.31	-1.6	+16.1	117.48	-2.0	+17.0
ndonesia*	(44)	113.50	+0.1	+3.5	144.52	+0.5	+6.1
Malaysia	(123)	306,00	+0.6	+12.8	281.80	+0.7	+10.9
Pakistan ^e	(25)	249.94	-0.6	+3.0	403.02	-0.4	+6.9
Sri Lanka ^m	(5)	94.58	+1.7	-9.1	113.72	+1.7	-5.9
Thailand	(72)	305.67	-0.4	-18.7	306.65	-0.6	-18.4
Euro/Mid East	(238)	138.38	+1.4	-2.3			-
Czech Reo	(5)	73.18	+0.4	+21.9	64,44	-0.0	+21.1
Greece .	(47)	243.47	+0.0	+0.8	389.09	-0.1	+0.5
-jungery**	(8)	164,49	+5.9	+67.1	296.00	+5.8	+82.9
lordan	(8)	165.06	-1.5	-10.6	246.63	-1.5	-10.5
Poland®	(22)	667.48	-3.4	+56.6	1.137.96	-3.3	+71.9
Portugai	(26)	129.95	-0.9	+12.3	135.83	-1.1	+14.3
South African	(63)	221.30	+0.1	-14.2	204.66	+0.6	+5.4
Turkev [™]	(54)	156.86	+10.4	+50.1	6.186.57	+10.8	+107.0
Zimbabwe [®]	(5)	368.06	-0.1	+34.0	540.27	-0.2	+43.3
Composite	(4440)	202.55	-21	16.4	010001	-	

indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base clate: Dec 1988=100 except hose noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (5)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (5)Jan 4 1991; (7)Nov 6 1932; (5)Sep 28 1991; (10) Dec 31 1992; (11)Dec 31 1993; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993

In a review of its Latin American equity portfolio this week Bear Stearns lifted its rating on Mexico to neutral from underweight, cut Peru to neutral from overweight and maintained a neutral weight on Argentina. The broker explained that the recent improvement in the outlook for Argentina. The broker explained that the recent improvement in the outlook for Us interest rates was a positive factor for the region. "Meanwhile, the gradual recovery of economic growth in Latin America, relatively attractive valuations and steady investment flows, as emerging markets continue their 1996 comeback from the traumas of the past two years, remain as positive supports for the region's equity markets," said

The broker added 2.7 percentage points to Mexico's recommended weighting of 24.2 per cent: "The gradual improvement in the policy environment, with an ongoing shift in focus from austerity to growth should support further price appreciation, while the market is now quite cheap at 10.3 times 1997 earnings". The broker raised its year-end target for the IPC index to 3,700 from 3,500, with the dollar-adjusted target rising to 451 from 427. Peru's rating was cut mainly because of a deterioration in the outlook for inflation, with the year-end inflation forecast being raised from 10 per cent to 12 per cent. Elsewhere in the region Bear Stearns reiterated its overweight recommendations on Brazil and Chile, and also maintained its neutral weight on Venezuela and underweight on Colombia. The broker added 2.7 percentage points to Mexico's recommended weighting of

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FT-SE International and Standard & Poor's in conjunction with the Foculty of Actuaries and the Institute of Actuaries, NatWest Securities Ltd. was a co-tounder of the Indices.

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Index Index on day

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FT/S&P ACTUARIES WORLD INDICES

US Day's Pound Dollar Change Starling Yen Index % Index Index

NATIONAL AND REGIONAL MARKETS

Figures in parenthe show number of the

Australia (80). Austria (24) ...

Belgium (27) Brazil (28)....

Italy (58)..... Japan (481).... Malaysia (107) .. Mexico (19)....

Nonway (35) . Philippines (2 Singapore (44) ... South Africa (44) Spain (37)

USA (625) .

Europe (706).

Thatland (45)...... United Kingdom (199).

Euro-Pacific (1586) North America (744) ... Europe Ex. UK (507) ...

..149.85 ..235.89 ..269.56

Emiko Terazono in Tokyo.

Volume totaled 280m ing state-owned insurance shares against 274m. The Topix index of all first secinstitutions, turned buyers tion stocks fell 16.37 to and lifted BOMBAY by L8 1,568.44 and the Nikkei 300 per cent. The BSE 30 share fell 2.94 to 291.57. Decline led advances by 869 to 154 with 178 unchanged. In London, the ISE/Nikkel

50 index rose 5.34 to 1396.21. Sentiment weakened on speculation that US investors would continue to unwind their positions. Worries that futures-linked trades tied to the options settlements on Friday would depress shares kept most domestic investors on th sidelines. The Nikkei had taken its fall to 9.7 per cent from the four year high of 22,666.80 posted on June 26, and there were fears that the key index could go into a downward spiral if it broke the near term technical support level of 20,400.

Among speculative stocks, Tokai Kogyo plunged Y75 to Y600 and TYK, the most active issue of the day, by boshin, a non-bank money Overseas investors sold

The yen's decline failed to stop a fall in technology issues. Toshiba fell Y8 to Y703, Sharp declined Y20 to

Currency 52 week 52 week ago Index High Low (approx

| Dokumer | Sterling | Name | Index |

Nikkei off 1.3% on US unwinding fears index closed 62.15 higher at tindex 6.61 higher at 1,100.13. stayed away, and turnover 3,543.44. SHANGHAI balanced a was just Bt3.4bn. Y1.740 and Sony retreated

Banks lost ground on arbi-Fears that US investors were trage-linked trading. Industrial Bank of Japan fell Y30 to Y2,270, Dai-Ichi Kangyo cutting down their overseas investments heightened pessimism and the Nikkei aver-Bank fell Y10 to Y1.810 and Fuji Bank lost Y20 to Y1,030. age fell 1.3 per cent, writes in Osaka, the OSE average

The 225 index lost 267.29 at fell 255.64 to 21,648.59 in vol-20,477.59 after moving ume of 26.4m shares. Kanebetween 20,452.97 and 20,827.97. Small lot selling by seas investors combined with the slide in speculative stocks, prompting further selling in the face of margin

Y100 to Y1,180, but Nichilender, gained Y34 to Y434.

blue chips in small lots. Nippon Steel fell Y3 to Y353 and Kawasaki Steel declined Y10 to Y372. Nissan Motor fell Y31 to Y835.

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